



POWER CORPORATION OF CANADA

Annual
Report
1986

Financial Highlights

	Thousands	
For the Year Ended December 31	1986	1985
Consolidated earnings before extraordinary and other items	\$ 136,594	\$ 110,831
- per share	1.05	0.94
Consolidated net earnings	237,961	152,049
- per share	1.87	1.29

As at December 31

Cash and short-term investments	\$ 210,948	\$ 47,062
Investments – subsidiaries and affiliate	1,037,803	812,502
- other	48,808	136,304
Long-term debt	nil	nil
Shareholders' equity	1,320,347	1,022,628

Contents

<i>Financial Highlights</i>	1
<i>Directors' Report to Shareholders</i>	2
<i>Years of Progress</i>	6
<i>Financial Statements</i>	8
<i>Board of Directors and Officers</i>	24

Copies of the annual report of Power Corporation of Canada's subsidiary company, Power Financial Corporation, are available from the Vice-President and Secretary, Power Corporation of Canada, 759 Victoria Square, Montreal, Quebec H2Y 2K4

Si vous préférez recevoir ce rapport annuel en français, veuillez vous adresser au vice-président et secrétaire, Power Corporation du Canada, 759, square Victoria, Montréal (Québec) Canada H2Y 2K4

The consolidated earnings of Power Corporation of Canada for the year ended December 31, 1986 before extraordinary and other items amounted to \$136.6 million, compared with \$110.8 million in 1985. These earnings are equivalent to \$1.05 per share as against \$0.94 in 1985, after allowing for the payment of dividends on the non-participating preferred shares. They exclude extraordinary gains and other items of \$101.4 million in 1986 and \$41.2 million in 1985. Including extraordinary and other items, the consolidated net earnings are \$238.0 million compared with \$152.0 million in 1985 and are equivalent to \$1.87 per share as against \$1.29 in 1985.

Total dividends paid on participating preferred and subordinate voting shares during 1986 were 46 $\frac{7}{8}$ cents compared with 33 $\frac{3}{4}$ cents during 1985. The quarterly dividend was raised to 12 $\frac{1}{2}$ cents effective June 30, 1986. As a result, the annual dividend rate at December 31, 1986 was 50 cents compared with 37 $\frac{1}{2}$ cents at the end of 1985.

The foregoing figures have been adjusted to reflect the two-for-one subdivision of the participating preferred and subordinate voting shares which was approved by the shareholders at their Special and Annual Meeting on May 1, 1986 and which took effect on June 16, 1986.

The results for the year reflect the continuing growth in the operating earnings of Consolidated-Bathurst Inc., increased earnings by each of the components of the Power Financial group of companies, improved results of Gesca Ltée and a substantial increase in the income from short-term investments.

The earnings before extraordinary items of Consolidated-Bathurst Inc. increased from \$79.8 million to \$103.7 million, of which Power Corporation's share, after allowing for preferred dividends, is \$35.3 million. Power Financial Corporation's earnings before extraordinary and other items were \$132.6 million, as against \$115.1 million in 1985, of which Power Corporation's share, after allowing for preferred dividends, is \$88.0 million. The net earnings of Gesca Ltée increased from \$5.3 million to \$5.6 million. Other income, mainly from short-term investments, increased from \$12.5 million in 1985 to \$23.1 million in 1986.

Corporate developments since the end of 1985 included the issue in February 1986 of two million Cumulative Redeemable First Preferred Shares, 1986 Series, for net proceeds of \$97.7 million. The shares carry an annual dividend rate of 8% for the first five years and thereafter the dividend will be 70% of the prime rate of two major Canadian chartered banks.

On April 18, 1986, our application, made in 1985, to acquire control of Télé-Métropole Inc. of Montreal was denied and, as a result, the purchase agreement with Télé-Métropole's controlling shareholders was terminated and the purchase money, which had been held in trust, was returned with interest.

Consolidated earnings, before extraordinary and other items, rose to \$136.6 million from \$110.8 million a year ago.

On August 1, 1986, your Corporation agreed to acquire all of the outstanding common shares of Katenac Holdings Ltd. and Prades Inc. for a price of \$35.8 million, payable in 2,113,650 subordinate voting shares of Power. Approval was granted for the transfer of ownership of the licences in January 1987 and the transaction was completed on February 6, 1987. The two companies, through subsidiaries, hold television and/or radio stations in Kingston, Peterborough, Barrie and Collingwood, Ontario, and in Carleton, Rimouski and Shawinigan Falls, Quebec. These acquisitions and our newspaper interests held by Gesca Ltée, represent an investment of \$70 million in the communications sector.

A joint venture with the People's Republic of China in the Celgar pulp mill was a major development in 1986.

In September 1986, your Corporation, as equal partners with Consolidated-Bathurst Inc., formed Power Consolidated (China) Pulp Inc. which acquired a 50% interest in a pulp mill located in Castlegar, British Columbia, in a joint venture with CITIC B.C. Inc., a Canadian subsidiary of The China International Trust and Investment Corporation (CITIC) of Beijing in the People's Republic of China. Your Corporation's investment consists of a 25% interest in the joint venture and is represented by an investment of \$24.3 million. This investment, initiated by your Corporation, was a major development as the joint venture with CITIC is the largest investment ever made by that corporation in North America.

In February 1987, in accordance with the Corporation's Articles of Continuance, the participating preferred shareholders were given the right to subscribe to 253,638 participating preferred shares in view of the issue of 2,113,650 subordinate voting shares referred to previously. Further, at the expiration on April 25, 1987 of subscription rights originally granted on April 25, 1984, the participating preferred shareholders will also be given the right to subscribe to 639,999 participating preferred shares at \$5.25 per share.

Power Financial Corporation (PFC) and its subsidiaries had a very active year, not only in raising funds for investment, but also in the restructuring of the ownership of its subsidiary companies.

PFC's dividend increased from an annualized rate of 40 cents per share at the end of 1985 to 50 cents in April 1986 and to 54 cents in February 1987. The company's shares were subdivided on a two-for-one basis effective May 26, 1986.

During the course of 1986, a plan of reorganization of PFC was developed and completed on December 6. The reorganization provided, essentially, for the conversion of the indirect interests in Great-West Lifeco Inc. and Montreal Trustco Inc. to a direct ownership by Power Financial Corporation and the acquisition of the business of the operating subsidiaries of The Investors Group by a new PFC subsidiary, Investors Group Inc. One of the features of the reorganization was the provision for the minority non-voting Class A shareholders of The Investors Group to exchange their shares for voting common shares of PFC.

In June 1986, prior to the reorganization referred to above, a primary issue of 10 million common shares of Great-West Lifeco Inc. was sold to the public, generating net proceeds of \$197.8 million of which \$197.3 million was used by Great-West Lifeco Inc. to pay demand notes due to PFC of \$75 million in December 1986 and the balance in January 1987. In addition, a further 905,320 common shares of Great-West Lifeco Inc. were issued in exchange for 22,633 common shares of The Great-West Life Assurance Company in accordance with the exchange offer made concurrently with the primary issue of common shares. PFC currently owns 86% of Great-West Lifeco Inc., which has a 97.4% interest in The Great-West Life Assurance Company.

In October 1986, Investors Group Inc. made an initial public offering of three million common shares generating net proceeds of \$51.8 million. The proceeds were used to the extent of \$35 million to reduce the demand note of \$70 million payable to PFC after the above-mentioned reorganization was completed. PFC and Investors Group Inc. recently entered into underwriting agreements whereby a further four million common shares were offered to the public, including a secondary issue of three million shares from PFC and a treasury issue of one million shares by the company. The proceeds from the primary issue will be used, together with the other cash resources of the company, to pay the balance of \$35 million due on the demand note owing to PFC. PFC owned 87.4% of Investors Group Inc. as at December 31, 1986 and after completion of the share offering will have a 71.8% interest.

Montreal Trustco Inc. in 1986 made a rights offering to its common shareholders which raised \$79 million of additional equity. PFC, as a result of underwriting the rights issue and acquiring rights and common shares in the market, invested a total of \$66 million and, thereby, increased its interest from 55.4% as at December 1985 to 60.5% at December 1986. The successful acquisition of Credit Foncier by Montreal Trustco Inc. enabled the company to almost double its asset size in one transaction.

PFC's interest in Pargesa Holding S.A. has been increased and now stands at 17.7% of the voting interest and 15.0% of the equity. The additional investment during the year and in early 1987 amounted to Sfr.180 million, equivalent to a cost of Canadian \$138 million. The short-term Swiss bank loan outstanding at December 31, 1985 of Sfr.69 million stood at Sfr.90 million at the end of 1986 and was refinanced on March 3, 1987 by a 5% bond issue of Sfr. 120 million maturing in 1997.

PFC, in October, placed privately \$100 million preferred shares paying a dividend equal to 70% of the prime bank loan rate.

The total funds raised by PFC during the year and early 1987 were approximately \$450 million, of which some \$66 million was invested in Montreal Trustco Inc. and \$138 million in Pargesa Holding S.A. Thus, at the end of February 1987, PFC has approximately \$250 million in liquid resources available for further long-term investment.

*Power Financial Corporation
and its subsidiaries raised
substantial amounts of new
capital.*

*Consolidated-Bathurst
benefitted from strong demand
and improved prices for
newsprint, pulp and other
forest products.*

Consolidated-Bathurst Inc. benefitted from the strong demand and improved prices for newsprint, pulp and linerboard products in 1986, as well as an improvement in the earnings of the packaging group. Capital expenditures amounted to \$231.2 million compared with \$175.7 million in 1985, of which \$154.8 million was spent in upgrading the pulp and paper facilities. The magnitude of these expenditures is strong evidence of the corporation's policy, endorsed by Power Corporation, of ensuring that its facilities are being constantly renewed and expanded to meet the requirements of its customers. In January 1987, the directors of Consolidated-Bathurst Inc. approved an increase in the dividend on common shares then outstanding to an annualized rate of \$1.00 from 60 cents and in February 1987 the shareholders approved a split of the common shares on a two-for-one basis.

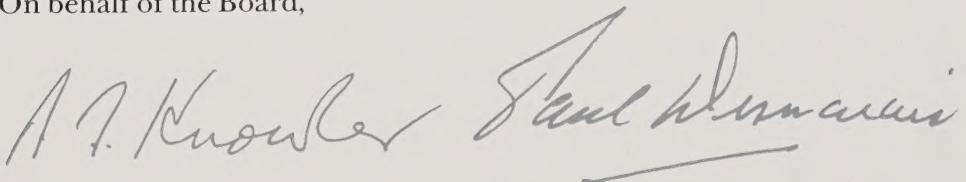
Gesca Ltée showed a modest increase in net earnings from \$5.3 million in 1985 to \$5.6 million in 1986. Revenues at \$164.3 million were approximately 7% higher than last year but fell below original expectations due primarily to a decrease in revenue from national advertising. Capital expenditures were \$3.8 million compared with \$800,000 last year, while the company paid a dividend of \$3.1 million as against \$2 million in 1985.

Your Board of Directors has accepted with regret the resignations of Mr. Jacques Haberer and Mr. Michel Bélanger. Mr. Haberer joined the Board in May 1982, while Mr. Bélanger was a member of the board from May 1977 to June 1978 and from May 1981. The Corporation wishes to acknowledge the counsel and assistance received from Mr. Haberer, particularly in relation to our European interests. Mr. Bélanger gave generously of his time with the highest degree of professionalism while serving on the board and his fellow directors shall miss the benefit of his experience and counsel.

M. Michel François-Poncet of Paris, the Chairman and Chief Executive Officer of Compagnie Financière de Paribas, joined the board in November 1986.

The Directors wish to express their sincere appreciation for the outstanding performance rendered by the officers and staff of the Corporation and of the related companies for their important contribution during what has been a very active and progressive year.

On behalf of the Board,



President and
Chief Operating Officer

Chairman and
Chief Executive Officer

March 3, 1987

In 1967, Power Corporation of Canada had assets of \$165.0 million invested primarily in some 20 companies. Its interest in these companies ranged from portfolio investment to absolute control. Since then Power has been transformed into a corporation with assets of over \$1.3 billion invested primarily in two major public companies – Power Financial Corporation and Consolidated-Bathurst Inc. – and including cash and short-term investments of \$210 million. Moreover, while the investment in these two major companies has a book value of \$978 million, the current quoted market value exceeds two billion dollars.

This growth in assets results from the judicious use of new capital, the realization of gains on assets and a dividend policy that allows for a steady increase in retained earnings for each of the corporations in the group, all in accordance with a broad strategic plan.

Since 1968, Power Corporation's assets have increased from \$268.4 million to \$1.3 billion.

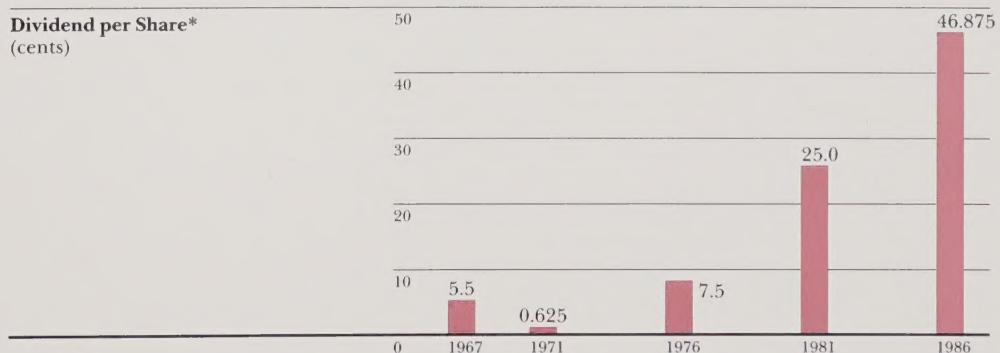
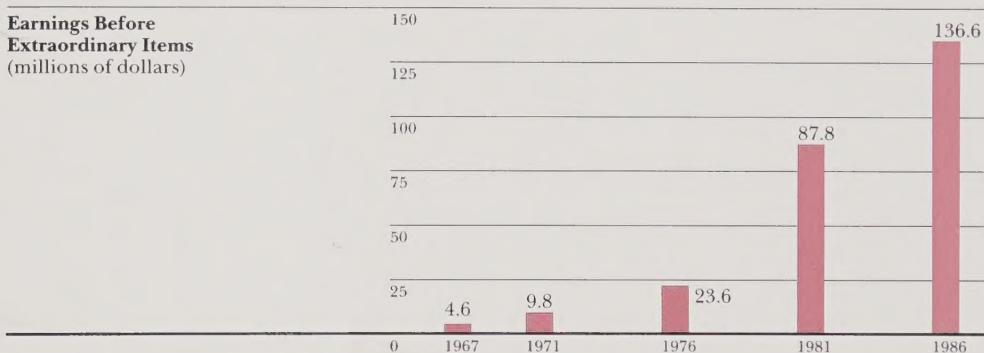
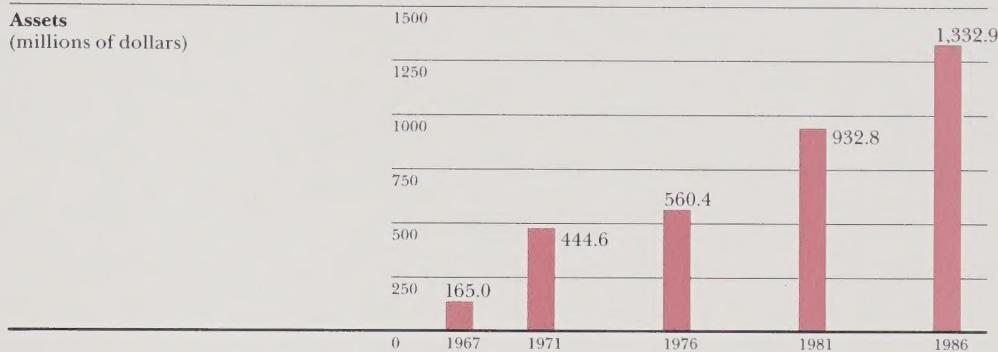
Within Power Financial Corporation, which is 69.0% owned by Power Corporation, the assets of the three subsidiaries operating in the financial services industry have shown substantial growth and progress during the same period. Assets of The Great-West Life Assurance Company have increased from \$1.3 billion in 1967 to \$13.0 billion at the end of 1986. Similarly, the assets of Montreal Trustco Inc. have increased from \$414 million in 1967 to \$7.1 billion in 1986 and the assets under management of Investors Group Inc. have grown from \$1.5 billion to \$7.5 billion. The current quoted market value of Power Financial Corporation's investment in these three companies is approximately \$2.0 billion compared with a carrying value of \$855 million on its balance sheet. In addition, the carrying value of Power Financial Corporation's investment in Pargesa Holding S.A. at \$254 million is to be compared with a quoted market value of approximately \$320 million.

The assets of Consolidated-Bathurst Inc. which is 39.7% owned by Power Corporation, have grown from \$483 million at the end of 1967 to \$2.0 billion at the end of 1986. The current quoted market value of Power Corporation's interest in this corporation is approximately \$690 million compared with a carrying value of \$316.3 million on Power's balance sheet.

Along with a significant change in Power Corporation's asset mix has come a substantial increase in the earnings that the assets generate. Earnings before extraordinary items were \$136.6 million in 1986 as against \$4.6 million from the assets held in 1967.

Dividends paid to participating preferred and subordinate voting shareholders have increased from an annualized rate of 5.5 cents per share in 1967 (after allowing for two-for-one stock splits in 1979, 1985 and 1986) to the current annual rate of 50 cents.

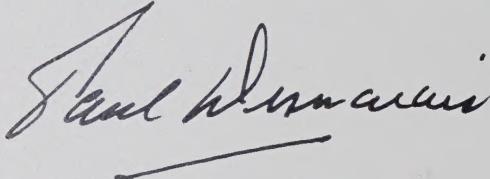
This record of performance could not have been achieved without the dedication of the thousands of employees in Canada, the United States, the United Kingdom and Europe who are all part of the total organization. It reflects the philosophy of Power Corporation of Canada which is dedicated to providing for the presence of a majority of independent business leaders on the Boards of Directors of each of the corporations and for the development of executive officers and management teams who receive encouragement, support and reward from their respective boards and from the parent corporation.



*Adjusted for 2 for 1 subdivisions in 1979, 1985 and 1986.

	Thousands	
	1986	1985
Assets		
Current assets		
Cash and short-term investments	\$ 210,948	\$ 47,062
Accounts receivable	10,111	10,247
	221,059	57,309
Investments		
Subsidiaries and affiliate at equity (Note 2)	1,037,803	812,502
Other investments	48,808	136,304
	1,086,611	948,806
Fixed assets at cost	30,759	30,134
Less accumulated depreciation	5,531	4,264
	25,228	25,870
	\$ 1,332,898	\$ 1,031,985

Approved by the Board of Directors



Director



Director

	Thousands	
	1986	1985
Liabilities		
Current liabilities		
Accounts payable and accrued charges	\$ 4,227	\$ 3,275
Dividends payable	2,133	136
	6,360	3,411
Deferred income taxes	6,191	5,946
Shareholders' Equity		
Stated capital (Note 3)		
Non-participating preferred shares	111,060	11,423
Participating preferred shares	19,482	19,482
Subordinate voting shares	299,526	289,715
Retained earnings	890,279	702,008
	1,320,347	1,022,628
	\$ 1,332,898	\$ 1,031,985

	Thousands	
	1986	1985
Share of earnings of subsidiaries and affiliate (Note 2)	\$ 130,212	\$ 112,629
Income from investments	23,066	12,474
	153,278	125,103
Operating expenses	10,036	7,978
Interest expense		6,362
Provision for depreciation	1,497	675
Provision for (recovery of) income taxes	5,151	(743)
	16,684	14,272
Earnings before extraordinary and other items	136,594	110,831
Extraordinary and other items (Note 4)	101,367	41,218
Net earnings	\$ 237,961	\$ 152,049
Earnings per participating preferred and subordinate voting share		
Before extraordinary and other items	\$ 1.05	\$ 0.94
After extraordinary and other items	\$ 1.87	\$ 1.29

Consolidated Statement of Retained Earnings
for the year ended December 31, 1986

Retained earnings, beginning of year	\$ 702,008	\$ 587,289
Add		
Net earnings	237,961	152,049
Gain on preferred shares, purchased for cancellation	53	305
Share of foreign currency translation adjustments, net of charges to retained earnings of subsidiaries and affiliate	17,064	6,122
	957,086	745,765
Deduct		
Dividends		
Non-participating preferred shares	7,765	559
Participating preferred shares	5,308	3,822
Subordinate voting shares	52,424	36,602
Share issue expenses, net of income taxes of \$1,016,000 (1985-\$ Nil)	1,310	2,774
	66,807	43,757
Retained earnings, end of year	\$ 890,279	\$ 702,008

**Consolidated Statement of Changes
in Financial Position**
for the year ended December 31, 1986

	Thousands	
	1986	1985
Operations		
Earnings before extraordinary and other items	\$ 136,594	\$ 110,831
Non cash charges (credits)		
Earnings not received in cash	(85,483)	(75,252)
Provision for depreciation	1,497	675
Income taxes and other	5,118	(737)
	57,726	35,517
Decrease (increase) in accounts receivable	136	(3,023)
Increase in accounts payable	952	372
Decrease in income taxes recoverable		6,615
Cash from operations	58,814	39,481
Dividends paid		
Non-participating preferred shares	(5,768)	(559)
Participating preferred shares	(5,308)	(3,822)
Subordinate voting shares	(52,424)	(36,602)
	(63,500)	(40,983)
Financing activities		
Issue of preferred shares	100,000	1,408
Issue of subordinate voting shares	9,811	129,850
Repayment of long-term debt		(207,625)
Share issue expenses	(2,326)	(4,817)
Acquisition of preferred shares, for cancellation	(310)	(1,062)
	107,175	(82,246)
Investment activities		
Disposal of investments	99,135	292,013
Purchase of investments	(37,196)	(142,152)
Net additions to fixed assets	(542)	(21,004)
	61,397	128,857
Increase in cash and short-term investments	163,886	45,109
Cash and short-term investments, beginning of year	47,062	1,953
Cash and short-term investments, end of year	\$ 210,948	\$ 47,062

Note 1. Summary of significant accounting policies

The accounting principles followed by Power Corporation of Canada and its subsidiaries and affiliate are in accordance with generally accepted accounting principles, except that the accounting practices followed by The Great-West Life Assurance Company are as prescribed or permitted by the Department of Insurance of Canada.

Principles of consolidation and presentation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned investment subsidiaries.

Investments in other subsidiaries and affiliate are accounted for on the equity basis and on the modified equity basis in the case of The Great-West Life Assurance Company. A full consolidation of the financial statements of Power Corporation of Canada and its subsidiaries has not been prepared as such consolidation would not be appropriate in the circumstances and the Corporation believes that the equity method provides a more informative presentation to the shareholders. Condensed financial statements of these subsidiaries and affiliate are presented on pages 15 to 23 of this Report.

The difference between the cost of the investment in

corporations accounted for on the equity basis and the book value of the underlying net assets at the dates of acquisition is included in the carrying value of these investments.

Investments

Other investments are stated at cost less write downs.

Depreciation

The Corporation's aircraft is depreciated on a straight-line basis on estimated useful life of 15 years with a residual value of 25% and the remaining assets are depreciated at the maximum rates permitted for income tax purposes.

Income taxes

The Corporation follows the tax allocation basis in accounting for income taxes. Deferred income taxes shown on the financial statements represent taxes deferred mainly in respect of certain investments recorded at a cost which is in excess of their cost for income tax purposes.

Pensions

The Corporation has pension plans for employees, which are being funded, and the current service cost portion is charged to earnings as incurred.

Note 2. Subsidiaries and affiliate at equity

	Subsidiaries			Affiliate		Total
	Power Financial Corporation	Gesca Ltée	Power Consolidated (China) Pulp Inc.	Consolidated- Bathurst Inc.		
Voting and equity interest, December 31, 1986	69.0%	100%	50.0% (a)	39.7%		n/a
Thousands						
Carrying value, December 31, 1985	\$ 474,325(b)	\$ 29,998	\$ 24,328	\$ 308,179	\$ 812,502	
Purchase of investments	5	2,000				26,333
Share of earnings	88,021(c)	5,611	1,287	35,293	130,212	
Share of extraordinary and other items	118,911			(21,500)	97,411	
Share of foreign currency translation adjustments, net of charges to retained earnings	9,623			7,441	17,064	
Disposal of investments				(990)	(990)	
Dividends and interest	(29,146)	(3,055)	(358)	(12,170)	(44,729)	
Carrying value, December 31, 1986	\$ 661,739(b)	\$ 34,554(d)	\$ 25,257(e)	\$ 316,253	\$ 1,037,803	
Share of equity, December 31, 1986	\$ 665,863(b)	\$ 34,552(d)	\$ 25,257(e)	\$ 274,431	\$ 1,000,103	

- (a) Consolidated-Bathurst Inc. owns the other 50% voting and equity interest.
- (b) Includes first preferred shares, 1969 Series of the former The Investors Group.
- (c) Includes \$65,396,000 share of earnings, before deduction of carrying charges, derived from Great-West Lifeco Inc.

and its subsidiary The Great-West Life Assurance Company.

- (d) Includes advance of \$2,000,000.

- (e) Includes preferred shares in the amount of \$5,000,000 and demand notes of \$16,828,000 bearing interest at prime rate.

Note 3. Stated capital

	Thousands	
	1986	1985
Non-participating preferred shares		
First preferred shares without nominal or par value issuable in series (i)		
Authorized – Unlimited number of shares		
Issued – 221,195 shares of \$2.375 cumulative redeemable 1965 Series	\$ 11,060	\$ 11,423
Cumulative Redeemable First Preferred Shares, 1986 Series		
Authorized – Unlimited number of shares		
Issued – 2,000,000 shares issued for cash (ii)	100,000	\$ 111,060
	<hr/>	<hr/>
3 3/4¢ participating preferred shares without nominal or par value (iii) and (vi)		
Authorized – Unlimited number of shares		
Issued – 11,323,804 shares	\$ 19,482	\$ 19,482
Subordinate voting shares without nominal or par value (iv), (v) and (vi)		
Authorized – Unlimited number of shares		
Issued – 112,166,352 shares	\$ 299,526	\$ 289,715
	<hr/>	<hr/>
i) redeemable at \$50.50 plus accrued and unpaid dividends and non-voting except under certain conditions. During the calendar year, 7,265 shares were purchased for can- cellation. The Corporation, through a sinking fund, is committed to retire 26,500 such shares in each twelve- month period from May 1 to April 30.	iv) entitled to one vote per share.	
ii) entitled to a quarterly cumulative dividend of 2% in the case of dividends payable on or prior to April 15, 1991 and one quarter of 70% of the prime rate of two major Canadian chartered banks in the case of dividends payable after April 15, 1991. The shares will be redeemable after April 14, 1991 at \$50 per share.	v) 200,000 shares are reserved at December 31, 1986 for issuance pursuant to subscription rights granted on April 25, 1984. Such subscription rights are exercisable at any time up to April 25, 1987 at the price of \$5.25 per share. 1,733,328 shares were issued during the year upon the exercise of subscription rights for an aggregate consideration of \$9,100,000.	
iii) entitled to ten votes per share; entitled to a non-cumula- tive dividend of 3 3/4¢ per share per annum before divi- dends on the subordinate voting shares and having the right to participate, share and share alike, with the holders of the subordinate voting shares in any divi- dends in any year after payment of a dividend of 3 3/4¢ per share on the subordinate voting shares.	3,116,000 additional shares are reserved for issuance pursuant to an Executive Stock Option Plan established on March 8, 1985. Options were outstanding at Decem- ber 31, 1986 to purchase, until September 4, 1996, an aggregate of 2,341,000 shares, at various prices from \$8.47 to \$16.53 per share. 84,000 shares were issued during the year under this Plan for an aggregate con- sideration of \$711,000.	
	vi) adjusted for the two-for-one subdivision effective June 16, 1986.	

Note 4. Extraordinary and other items

	Thousands	
	1986	1985
Share of extraordinary and other items		
of subsidiaries and affiliate	\$ 97,411	\$ (473)
Gain resulting from issue of common shares of a subsidiary		9,740
Write down of investments		(4,976)
Gain on sale of assets, net of income taxes	96	20,451
Tax reduction arising from the carry-forward of prior years' losses	3,860	16,476
	<hr/>	<hr/>
	\$ 101,367	\$ 41,218

Note 5. Income taxes

The Corporation has, at December 31, 1986, accumulated non-capital losses for tax purposes as a substantial portion of its net earnings is derived from its subsidiaries and affiliate. The benefits resulting from the use of these losses have not been accounted for in these financial statements.

The Corporation, on the advice of tax counsel, has filed a notice of objection to an income tax reassessment issued by Revenue Canada for the year 1981. Adjustments to the taxable income, if any, would be offset by the non-capital losses available as at December 31, 1986.

Note 6. Other**a) Related party transactions**

The Corporation and its subsidiaries and affiliates have transactions with each other in the normal course of business at competitive prices but such transactions are not significant to the Corporation or its subsidiaries and affiliates.

b) Segmented information

The nature of the business is that of a holding and management corporation. Condensed financial statements of the subsidiaries and affiliate are presented on pages 15 to 23 of this Report.

Note 7. Subsequent event

On February 6, 1987, the Corporation completed its purchase of all of the outstanding common shares of Katenac Holdings Ltd. and Prades Inc. for a price of \$35,800,000 paid by the issue of 2,113,650 subordinate voting shares at a price of \$16.9375 per share.

Auditors' Report

To the Shareholders of
Power Corporation of Canada

We have examined the consolidated balance sheet of Power Corporation of Canada as at December 31, 1986 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montréal, Québec, March 3, 1987

Touche Ross & Co.
Chartered Accountants

	Thousands	
	1986	1985
Condensed Income Statement		
Share of earnings of subsidiaries (Note)	\$ 140,765	\$ 116,088
Income from investments	6,741	3,428
	147,506	119,516
Operating expenses	6,066	2,381
Interest expense	9,852	2,037
Recovery of income taxes	(1,046)	
	14,872	4,418
Earnings before extraordinary and other items	132,634	115,098
Extraordinary and other items	172,572	578
Net earnings	\$ 305,206	\$ 115,676
Earnings per share		
Before extraordinary and other items	\$ 1.49	\$ 1.32
After extraordinary and other items	\$ 3.54	\$ 1.33
Condensed Balance Sheet		
Cash and short-term investments	\$ 169,122	\$ 4,239
Subsidiaries (Note)	854,118	753,566
Affiliate	253,714	82,039
Other assets	9,169	5,754
Total assets	\$ 1,286,123	\$ 845,598
Long-term debt	\$ 161,727	\$ 87,804
Other liabilities	25,985	28,122
Preferred shares	179,579	83,779
Common shareholders' equity	918,832	645,893
Total liabilities and shareholders' equity	\$ 1,286,123	\$ 845,598

Subsidiaries

	<u>Investors Group Inc.</u>	<u>Great-West Lifeco Inc.</u>	<u>The Great-West Life Assurance Company</u>	<u>Montreal Trustco Inc.</u>	<u>Total</u>
Voting and equity interest, December 31, 1986	87.4%	86.0%		60.5%	n/a
Thousands					
Carrying value, December 31, 1985	\$ 146,901	\$ 508,945	\$ 97,720	\$ 753,566	
Purchase of investments	50,048	535,251	517	66,380	652,196
Gain resulting from issue of common shares	36,879	146,504			183,383
Share of earnings	33,407	47,999	45,184	14,175	140,765
Share of extraordinary and other items	1,905	(1,607)	(2,102)		(1,804)
Share of charges to retained earnings	(1,023)	(3,597)		(739)	(5,359)
Disposal of investments	(70,000)	(197,250)	(535,229)		(802,479)
Amortization of goodwill				(479)	(479)
Dividends	(28,552)	(15,071)	(17,315)	(4,733)	(65,671)
Carrying value, December 31, 1986	\$ 169,565	\$ 512,229	\$ —	\$ 172,324	\$ 854,118
Share of equity, December 31, 1986	\$ 169,517	\$ 505,431	\$ —	\$ 151,110	\$ 826,058

Pursuant to underwriting agreements dated February 16, 1987, the corporation sold to underwriting groups 3,000,000 common shares of Investors Group Inc. at a net price of \$22.75 resulting in proceeds of approximately \$68,250,000.

	Thousands	
Condensed Summary of Operations	1986	1985
Premium income	\$ 3,188,615	\$ 2,319,703
Other income	1,251,078	1,095,604
	4,439,693	3,415,307
Paid or credited to policyholders and beneficiaries	3,853,916	2,904,464
Commissions, operating expenses and other	438,174	389,314
Income taxes	12,865	5,694
	4,304,955	3,299,472
Net income from operations	134,738	115,835
Other items	(10,677)	4,784
Minority interest	(26,060)	(34,399)
Net income before the following item	98,001	\$ 86,220
Pre-acquisition net income	44,784	
Net income	\$ 53,217	
 Earnings per share		
Net income from operations	\$ 0.707	
Net income	\$ 0.683	
 Pro-forma earnings per share		
Net income from operations	\$ 1.310	\$ 1.070
Net income	\$ 1.258	\$ 1.077

	Thousands	
Condensed Balance Sheet	1986	1985
Bonds	\$ 3,868,170	\$ 2,904,374
Mortgages and sale agreements	5,917,062	4,833,997
Segregated investment funds	1,546,832	1,342,539
Other assets	1,757,472	1,720,112
 Total assets	 \$ 13,089,536	 \$ 10,801,022
 Policy reserves	 \$ 8,864,533	 \$ 6,973,391
Segregated investment funds	1,546,832	1,342,539
Other policy benefit liabilities	668,364	590,481
Demand notes payable to parent company	122,250	840,107
Other liabilities	788,767	481,283
Minority and other interests	511,079	573,221
 Common shareholders' equity	 587,711	 \$ 13,089,536
 Total liabilities and shareholders' equity	 \$ 13,089,536	 \$ 10,801,022

Notes

The condensed summary of consolidated operations for 1986 includes the full year results of The Great-West Life Assurance Company with net income reduced by pre-acquisition net income. The comparative figures for 1985 are those of The Great-West Life Assurance Company reclassified to conform with the consolidated financial statements of Great-West Lifeco Inc..

The pro forma earnings per share are presented to show what Great-West Lifeco's earnings in 1986 and 1985 would have been if Great-West Lifeco had acquired The Great-West Life Assurance Company at the beginning of 1985.

The company's total interest in the common capital and surplus of The Great West Life Assurance Company is \$615,968,000. Of this amount \$356,875,000 is appropriated to cover various contingencies as required by the Department of Insurance of Canada.

	Thousands	
Condensed Income Statement	1986	1985
Investment income	\$ 149,303	\$ 144,935
Management and distribution fees	126,476	91,929
Other	9,246	7,444
	285,025	244,308
Interest on certificate and trust liabilities	90,577	85,426
Management and distribution costs	94,857	68,049
Other	53,869	60,292
Income taxes	11,684	6,174
	250,987	219,941
Net operating income before adjustment	34,038	\$ 24,367
Pre-acquisition net operating income	24,047	
Net operating income	9,991	
Extraordinary items	1,905	
Pre-acquisition extraordinary items	(1,905)	
Net income	\$ 9,991	
Earnings per share		
Net operating income and net income	\$ 0.45	
Pro forma earnings per share		
Net operating income	\$ 1.43	\$ 1.02
Net income	\$ 1.51	\$ 1.02

Condensed Balance Sheet	
Cash and short-term investments	\$ 67,088
Marketable securities	458,209
Mortgages on real estate	813,264
Other	65,310
Total assets	\$ 1,403,871
Certificate liabilities	\$ 672,320
Guaranteed trust accounts	432,896
Demand note payable to parent company	35,000
Long-term debt	50,000
Other liabilities	76,908
Common shareholders' equity	136,747
Total liabilities and shareholders' equity	\$ 1,403,871

Note

The pro forma earnings per share as set out in the consolidated income statement are presented to show what the corporation's earnings per share in 1986 and 1985 would have been if Investors Group Inc. had acquired the wholly-owned subsidiary companies at the beginning of 1985 rather than at September 30, 1986.

	Thousands	
Condensed Income Statement	1986	1985
Gross revenue	\$ 631,644	\$ 409,481
Operating revenue		
Fiduciary	\$ 73,088	\$ 64,204
Financial intermediary	67,680	45,747
Real estate	19,655	14,835
	160,423	124,786
Operating expenses	(131,324)	(106,901)
Income taxes	(2,093)	521
Net income	\$ 27,006	\$ 18,406
Net income per common share	\$ 0.94	\$ 0.75

Condensed Balance Sheet

Cash and short-term investments	\$ 883,929	\$ 729,466
Securities	816,505	287,411
Corporate and government loans	476,438	268,172
Mortgages	4,686,542	1,768,385
Other assets	190,876	47,793
Total assets	\$ 7,054,290	\$ 3,101,227
Deposits	\$ 801,607	\$ 511,584
Investment certificates	5,402,785	2,208,272
Long-term debt	351,625	85,225
Other liabilities	58,505	31,460
99 year debentures	60,000	60,000
Subordinated debt	30,000	30,000
Preferred shares	100,000	20,000
Common shareholders' equity	249,768	154,686
Total liabilities and shareholders' equity	\$ 7,054,290	\$ 3,101,227

Note

On August 1, 1986, Montreal Trustco Inc. acquired all of the outstanding shares of Credit Foncier and on November 28, 1986, all of the outstanding shares of Bank of America Canada Mortgage Corporation. These transactions were accounted for under the purchase method. The financial statements of these companies have been consolidated with those of the corporation from the respective dates of acquisition.

	Thousands	
	1986	1985
Condensed Income Statement		
Operating revenues	\$ 164,336	\$ 153,597
Operating expenses	152,294	142,622
Depreciation and amortization	2,277	2,203
Interest	246	188
Income taxes	3,908	3,265
	158,725	148,278
Net earnings	\$ 5,611	\$ 5,319

Condensed Balance Sheet

Current assets	\$ 22,495	\$ 20,202
Fixed assets – net	21,498	20,006
Investments and other assets	1,164	43
Goodwill	16,532	15,285
Total assets	\$ 61,689	\$ 55,536
Current liabilities	\$ 23,779	\$ 22,627
Due to parent corporation	2,000	33
Long-term debt	733	2,870
Deferred income taxes	2,615	30,006
Shareholders' equity	32,562	\$ 55,536
Total liabilities and shareholders' equity	\$ 61,689	\$ 55,536

Thousands

Condensed Income Statement*

Net sales	\$	29,930
Cost of goods sold		24,292
Administrative and selling		1,102
Interest		919
Other		358
		26,671
Earnings before income taxes		3,259
Income taxes		1,401
Net earnings	\$	1,858

*For the period from September 26, 1986 to December 31, 1986

Condensed Balance Sheet

Current assets	\$	37,485
Property and plant		34,910
Total assets	\$	72,395
Advances from shareholders	\$	33,656
Other liabilities		21,881
Preferred shares		10,000
Common shareholders' equity		6,858
Total liabilities and shareholders' equity	\$	72,395

Note

Effective September 26, 1986, the corporation purchased a pulp mill on a joint venture basis with CITIC B.C. Inc., a Canadian subsidiary of The China International Trust and Investment Corporation of Beijing in the People's Republic of China. The corporation's undivided one-half interest in the assets, liabilities, costs and expenses of the joint venture are included in the financial statements.

	Thousands	
Condensed Income Statement	1986	1985
Net sales	\$ 2,017,834	\$ 1,727,468
Other income	2,001	13,396
	2,019,835	1,740,864
Cost of goods sold, including depreciation	1,674,590	1,458,299
Administrative and selling expenses	109,161	90,835
Interest	54,928	63,695
Income taxes	72,430	40,906
Minority interest	5,076	7,372
	1,916,185	1,661,107
Earnings before extraordinary items	103,650	79,757
Extraordinary items	(54,233)	(2,193)
Net earnings	\$ 49,417	\$ 77,564
Earnings per common share*		
Before extraordinary items	\$ 0.87	\$ 0.70
After extraordinary items	\$ 0.34	\$ 0.68

*Adjusted for the two-for-one subdivision effective February 27, 1987

Condensed Balance Sheet

Current assets	\$ 639,995	\$ 609,050
Property and plant - net	1,191,214	1,036,831
Investments and other assets	199,576	216,855
Total assets	\$ 2,030,785	\$ 1,862,736
Current liabilities	\$ 301,086	\$ 289,420
Long-term debt and provisions	563,056	481,575
Deferred income taxes and credits	282,632	232,488
Minority interest and preferred equity	192,749	192,223
Common shareholders' equity	691,262	667,030
Total liabilities and shareholders' equity	\$ 2,030,785	\$ 1,862,736

Board of Directors

The Honourable John B. Aird, O.C., Q.C. Vice-Chairman of the Corporation

Charles R. Bronfman, O.C. (3)
Co-Chairman of the Board and
Chairman of the Executive Committee,
The Seagram Company Ltd.

James W. Burns (1)
Deputy Chairman of the Corporation
and Chairman and Chief Executive Officer of
Power Financial Corporation

Peter D. Curry (1)
Director

**The Honourable William G. Davis, P.C.,
C.C., Q.C.**
Counsel, Tory, Tory, DesLauriers & Binnington

Paul Desmarais, C.C. (1)
Chairman and Chief Executive
Officer of the Corporation

Gérard Eskenazi
Managing Director and Chairman of the
Executive Committee, Pargesa Holding S.A.

Michel François-Poncet
Chairman and Chief Executive Officer of
Compagnie Financière de Paribas

Rowland C. Fraze
Retired Chairman and Chief Executive Officer,
The Royal Bank of Canada

Albert P. Frère
Deputy Chairman and Chairman
of the Executive Committee,
Groupe Bruxelles Lambert S.A.

William M. Fuller (2)
Chairman, Fuller Petroleum, Inc.

Pierre Genest, Q.C. (2)
Partner, Cassells, Brock & Blackwell

Jean-Paul Gignac, O.C.
Director

Roland Giroux, C.C. (1)
Director

Pierre Haas
Honorary Chairman, Paribas International

Arden R. Haynes
Chairman, President and Chief Executive
Officer, Imperial Oil Limited

F. Ross Johnson (3)
President and Chief Executive Officer,
RJR Nabisco Inc.

Robert H. Jones
Chairman, Investors Group Inc.

A. F. Knowles, C.A. (1)
President and Chief Operating Officer of the
Corporation and Deputy Chairman of
Power Financial Corporation

Paul Britton Paine, Q.C. (2) (3)
Director

Robert Parizeau
President and Chief Executive Officer,
Sodarcan Inc.

**The Honourable P. Michael Pitfield, P.C.,
Q.C. (1)**
Vice-Chairman of the Corporation

Yves Pratte, Q.C. (1) (3)
Partner, Clarkson, Tétrault

**The Right Honourable The Viscount
Rothermere**
Chairman, Associated Newspapers
Holdings plc.

Pierre Scohier
Managing Director, Chief Executive Officer
and Chairman of the Executive Committee,
Compagnie Belge de Participations Paribas
"COBEP" S.A.

Peter N. Thomson
Vice-Chairman,
West Indies Power Corporation Limited

William I. M. Turner, Jr., C.M. (1)
Chairman and Chief Executive Officer,
Consolidated-Bathurst Inc.

(1) Member of the Executive Committee
(2) Member of the Audit Committee
(3) Member of the Compensation Committee

Officers

Paul Demarais, C.C.
Chairman and Chief Executive Officer

James W. Burns
Deputy Chairman

**The Honourable John B. Aird, O.C.,
Q.C.**
Vice-Chairman

**The Honourable P. Michael Pitfield,
P.C., Q.C.**
Vice-Chairman

A. F. Knowles, C.A.
President and Chief Operating Officer

Michel Plessis-Bélair, C.A.
Senior Vice-President, Finance and
Administration

John A. Rae
Vice-President

Paul Desmarais, Jr.
Vice-President

André Desmarais
Vice-President

J. Edward Johnson
Vice-President and Secretary

Paul Morimanno, C.A.
Vice-President and Treasurer

André Gervais, C.G.A.
Vice-President and Controller

Jeannine Robitaille
Assistant Secretary

Power Corporation of Canada

Registered Office
759 Victoria Square
Montréal, Québec H2Y 2K4

Transfer Agent and Registrar
Montreal Trust Company
Halifax, Saint John, Montréal,
Toronto, Winnipeg, Regina,
Calgary, Vancouver

Stock Listings

Subordinate Voting Shares
The Montreal Exchange
The Toronto Stock Exchange
Vancouver Stock Exchange

Participating Preferred Shares
The Montreal Exchange

First Preferred Shares, 1965 Series
The Montreal Exchange
The Toronto Stock Exchange

First Preferred Shares, 1986 Series
The Montreal Exchange
The Toronto Stock Exchange
Vancouver Stock Exchange

Power Corporation of Canada

NOTICE OF SPECIAL AND ANNUAL MEETING OF SHAREHOLDERS

To the holders of 7½¢ Participating Preferred Shares and Subordinate Voting Shares:

NOTICE IS HEREBY GIVEN that the Special and Annual Meeting of Shareholders of POWER CORPORATION OF CANADA will be held in the Auditorium of The Royal Bank of Canada Building, Floor M-2, Place Ville Marie, Montréal, Québec, Canada, on Thursday, May 1, 1986, at 11:00 a.m., local time, for the following purposes:

- (1) to consider and, if deemed advisable, adopt a special resolution increasing the maximum number of directors from 27 to 28 (the full text of this special resolution is set out in the accompanying Management Proxy Circular);
- (2) to elect directors;
- (3) to appoint auditors;
- (4) to receive the report of the directors for the year ended December 31, 1985, and the consolidated financial statements for such period and the auditors' report thereon; and
- (5) to transact such other business as may properly come before the Meeting.

BY ORDER OF THE BOARD OF DIRECTORS

J. Edward Johnson
Vice-President and Secretary

Montréal, Québec
March 21, 1986

IF YOU DO NOT EXPECT TO BE PRESENT AT THE MEETING, PLEASE COMPLETE, DATE AND SIGN THE ACCOMPANYING FORM OF PROXY AND RETURN IT IN THE ENVELOPE ENCLOSED FOR THE PURPOSE.

Si vous préférez recevoir un exemplaire en français,
veuillez vous adresser au Vice-président et secrétaire,
Power Corporation du Canada,
759, Square Victoria,
Montréal (Québec),
Canada H2Y 2K4

MANAGEMENT PROXY CIRCULAR

This Management Proxy Circular is sent in connection with the solicitation by the management of Power Corporation of Canada (the "Corporation") of proxies for use at the Special and Annual Meeting of Shareholders of the Corporation to be held on Thursday, May 1, 1986 (the "Meeting"), or any adjournment thereof. The method of solicitation will be primarily by mail. However, proxies may also be solicited by regular employees or agents of the Corporation personally or in writing or by telephone. The cost of solicitation will be borne by the Corporation.

The following abbreviations have been used throughout this Management Proxy Circular:

<u>Name in full</u>	<u>Abbreviation</u>
Power Financial Corporation	Power Financial
The Great-West Life Assurance Company	Great-West
The Investors Group	Investors
Montreal Trustco Inc.	Montreal Trust

Revocation of Proxy

A shareholder giving a proxy may revoke the proxy by instrument in writing executed by the shareholder or his attorney authorized in writing or, if the shareholder is a corporation, by an officer or attorney thereof duly authorized, and deposited either at the registered office of the Corporation, 759 Victoria Square, Montréal, Québec, Canada H2Y 2K4, at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used or with the Chairman of the Meeting on the day of the Meeting, or any adjournment thereof, or in any other manner permitted by law, but prior to the exercise of such proxy in respect of any particular matter.

Voting Shares and Principal Holders Thereof

On March 21, 1986, there were outstanding 5,661,902 7½¢ Participating Preferred Shares without nominal or par value (herein called "Participating Preferred Shares") and 55,532,844 Subordinate Voting Shares without nominal or par value (herein called "Subordinate Voting Shares") of the Corporation. The Participating Preferred Shares and the Subordinate Voting Shares are herein sometimes collectively referred to as the "Voting Shares".

Each holder of Participating Preferred Shares is entitled to ten votes and each holder of Subordinate Voting Shares is entitled to one vote at the Meeting, or any adjournment thereof, for each share registered in the holder's name as at the close of business on the date immediately preceding the day on which the Notice of Special and Annual Meeting is given (the "Determination Date"), except that a transferee of Voting Shares acquired since the Determination Date shall be entitled to vote such shares at the Meeting, or any adjournment thereof, if the transferee produces properly endorsed share certificates for such shares, or otherwise establishes that such shares are owned by the transferee, and has demanded not later than ten days before the Meeting that the transferee's name be included in the list of shareholders entitled to receive the Notice of Special and Annual Meeting, such list having been prepared as of the Determination Date.

To the knowledge of the directors and officers of the Corporation, only Gelco Enterprises Ltd. ("Gelco") and Transportation Management Corporation ("TMC") each own shares carrying more than 10% of the votes attached to the outstanding Voting Shares of the Corporation. Gelco and TMC are associates of Mr. Paul Desmarais, Chairman and Chief Executive Officer of the Corporation. On March 21, 1986, Mr. Paul Desmarais and associates, Gelco, TMC, Monceau Investments Inc. and Prime Investors Ltd. owned, in the aggregate, 5,577,730 Participating Preferred Shares representing 98.51% of the outstanding Participating Preferred Shares and 11,670,872 Subordinate Voting Shares representing 21.02% of the outstanding Subordinate Voting Shares; family trusts of which a majority of the trustees consist of Mr. Paul Desmarais and associates or of associates of Mr. Paul Desmarais exercise control or direction over 42,600 Participating Preferred Shares and 1,048 Subordinate Voting Shares. In total, the shares owned by Mr. Paul Desmarais and associates or over which the said trustees exercise control or direction represent 60.52% of the 112,151,864 votes attached to the outstanding Voting Shares of the Corporation.

Special Resolution – Increase in Maximum Number of Directors

The articles of the Corporation provide that the maximum number of directors is 27. The holders of the Voting Shares will be asked at the Meeting, or any adjournment thereof, to consider and, if deemed advisable, adopt the following special resolution which increases the maximum number of directors to 28.

SPECIAL RESOLUTION – INCREASE IN MAXIMUM NUMBER OF DIRECTORS

RESOLVED:

THAT the articles of Power Corporation of Canada – Power Corporation du Canada are hereby amended to increase the maximum number of directors from 27 to 28; and

THAT any officer or director of the Corporation is hereby authorized to sign and execute the said articles of amendment and to do all things necessary and advisable to implement this special resolution.

In order to be effective, this special resolution must be adopted by the affirmative vote of not less than two-thirds of the votes cast by the holders of the Voting Shares at the Meeting or any adjournment thereof. Except where the nominees named in the accompanying form of proxy are directed to vote against the special resolution increasing the maximum number of directors, the said nominees will vote the shares represented by the proxy for the adoption of the said special resolution.

If the special resolution increasing the maximum number of directors is adopted, the Corporation shall deliver articles of amendment to the Director pursuant to the Canada Business Corporations Act in order to give effect to the said special resolution.

Election of Directors

The Board of Directors of the Corporation consists of 27 members. If the special resolution increasing the maximum number of directors from 27 to 28 is adopted, the 28 persons named hereunder will be proposed for election as directors of the Corporation. Except where authority to vote in respect of the election of directors is withheld, the nominees named in the accompanying form of proxy will vote the shares represented thereby for the election of the 28 persons named hereunder. The management of the Corporation does not contemplate that any of the persons named hereunder will, for any reason, become unable or unwilling to serve as a director. However, if such event should occur prior to the election, the nominees named in the accompanying form of proxy reserve the right to vote for the election in his stead of such other person as they in their discretion determine.

Each director shall hold office until the close of the next annual meeting of shareholders, unless he shall resign or his office becomes vacant for any reason.

Name, Municipality of Residence, Principal Occupation and Other Major Positions with the Corporation and its Affiliates	Served as Director from	Approximate Number of Shares of Each Class of Shares of the Corporation Directly or Indirectly Held as of March 21, 1986
The Honourable John B. Aird, O.C., Q.C. Toronto, Ontario Senior partner of Aird & Berlis, barristers and solicitors, from September, 1985; previously, Lieutenant-Governor of the Province of Ontario, from September, 1980 to September, 1985;	March, 1986	—
Michel Bélanger (b) Outremont, Québec Chairman of the Board and Chief Executive Officer of National Bank of Canada, a chartered bank	May, 1977 to June, 1978, and from May, 1981	2,000 Subordinate Voting Shares
Charles R. Bronfman, O.C. (c) Westmount, Québec Deputy Chairman of the Board and Chairman of the Executive Committee of The Seagram Company Ltd., a producer and marketer of distilled spirits and wines	May, 1983	20,000 Subordinate Voting Shares
James W. Burns (a) Montréal, Québec President of the Corporation; President and Chief Executive Officer of Power Financial; Chairman of Great-West	May, 1978	151,664 Subordinate Voting Shares
Peter D. Curry (a) Montréal, Québec Deputy Chairman of the Corporation	November, 1968	200,000 Subordinate Voting Shares
Hon. William G. Davis, P.C., Q.C. Brampton, Ontario Counsel, Tory, Tory, DesLauriers & Binnington, barristers and solicitors	May, 1985	—

(a) Member of the Executive Committee

(b) Member of the Audit Committee

(c) Member of the Compensation Committee

Name, Municipality of Residence, Principal Occupation and Other Major Positions with the Corporation and its Affiliates	Served as Director from	Approximate Number of Shares of Each Class of Shares of the Corporation Directly or Indirectly Held as of March 21, 1986
Paul Desmarais, O.C. (a) Westmount, Québec Chairman and Chief Executive Officer of the Corporation; Chairman of Power Financial	May, 1968	See "Voting Shares and Principal Holders Thereof" on page 2.
Gérard Eskenazi Saint-Cloud, France Chairman of Banque Paribas (Suisse) S.A., a commercial bank; Deputy Chairman and President of Groupe Bruxelles Lambert S.A., a financial and industrial group; and Managing Director and Chairman of the Executive Committee of Pargesa Holding S.A., a bank holding company	November, 1979	2,000 Subordinate Voting Shares
Rowland C. Frazee Town of Mount Royal, Québec Chairman and Chief Executive Officer of The Royal Bank of Canada, a chartered bank	May, 1982	1,000 Subordinate Voting Shares
Albert P. Frère Brussels, Belgium Deputy Chairman and Chairman of the Executive Committee of Groupe Bruxelles Lambert S.A., a financial and industrial group; Chairman and Chief Executive Officer of Frère-Bourgeois S.A., a family holding company	May, 1985	—
William M. Fuller (b) Fort Worth, Texas Chairman of Fuller Petroleum, Inc., an oil exploration company	April, 1975	144,800 Subordinate Voting Shares
Pierre Genest, Q.C. (b) Toronto, Ontario Partner of Cassels, Brock & Blackwell, barristers and solicitors	November, 1973	400 Subordinate Voting Shares
Jean-Paul Gignac, O.C. Shawinigan, Québec Director	May, 1970	14,200 Subordinate Voting Shares
Roland Giroux, C.C. (a) Montréal, Québec Director	May, 1977	1,200 Subordinate Voting Shares
Pierre Haas Paris, France Honorary Chairman of Paribas International, a merchant bank	May, 1978	2,000 Subordinate Voting Shares
Jean-Yves Haberer Paris, France Chairman and Chief Executive Officer of Compagnie Financière de Paribas and of Banque Paribas, commercial banks	May, 1982	2,000 Subordinate Voting Shares

(a) Member of the Executive Committee

(b) Member of the Audit Committee

(c) Member of the Compensation Committee

Name, Municipality of Residence, Principal Occupation and Other Major Positions with the Corporation and its Affiliates	Served as Director from	Approximate Number of Shares of Each Class of Shares of the Corporation Directly or Indirectly Held as of March 21, 1986
Arden R. Haynes Don Mills, Ontario Chairman, President and Chief Executive Officer of Imperial Oil Limited, an energy company	July, 1984	400 Subordinate Voting Shares
F. Ross Johnson (c) New York, New York President and Chief Executive Officer of R. J. Reynolds Inc., a producer and marketer of consumer products, beverages and tobacco	May, 1982	400 Subordinate Voting Shares
Robert H. Jones Winnipeg, Manitoba Chairman of Investors	February, 1976	1,400 Subordinate Voting Shares
A. F. Knowles, C.A. (a) Beaconsfield, Québec Executive Vice-President of the Corporation and of Power Financial	May to September, 1969, and from May, 1978	151,104 Subordinate Voting Shares 975 First Preferred Shares, 1965 Series
Paul Britton Paine, Q.C. (b)(c) Westmount, Québec Director	May, 1970	30,300 Subordinate Voting Shares
Robert Parizeau Montréal, Québec President and Chief Executive Officer of Sodarcan inc., an insurance and reinsurance holding company	May, 1985	4,800 Subordinate Voting Shares
P. Michael Pitfield, P.C., Q.C. (a) Ottawa, Ontario Member of the Senate of Canada, Ottawa, and Vice-Chairman of the Corporation	May, 1985	16,000 Subordinate Voting Shares
Yves Pratte, Q.C. (a)(c) Montréal, Québec Partner of Clarkson, Tétrault, barristers and solicitors	May, 1981	600 Subordinate Voting Shares
The Right Honourable The Viscount Rothermere London, England Chairman of Associated Newspapers Holdings plc, a newspaper and magazine publishing company, since 1970	—	—
Pierre Scohier Salles-Chimay, Belgium Managing Director, Chief Executive Officer and Chairman of the Executive Committee of Compagnie Belge de Participations Paribas "COBEPA" S.A., a holding company	May, 1985	—

(a) Member of the Executive Committee
 (b) Member of the Audit Committee
 (c) Member of the Compensation Committee

Name, Municipality of Residence, Principal Occupation and Other Major Positions with the Corporation and its Affiliates

Served as
Director from

Approximate Number of Shares of Each Class of Shares of the Corporation Directly or Indirectly Held as of March 21, 1986

Peter N. Thomson Nassau, Bahamas Chairman and President of West Indies Power Corporation Limited, a public utility corporation	August, 1956	2,020 Subordinate Voting Shares
William I. M. Turner, Jr. (a) Westmount, Québec Chairman and Chief Executive Officer of Consolidated-Bathurst Inc., a producer and marketer of paper and forest products	May, 1966	110,000 Subordinate Voting Shares

(a) Member of the Executive Committee
(b) Member of the Audit Committee
(c) Member of the Compensation Committee

Directors' and Officers' Remuneration

The aggregate cash remuneration paid or payable by the Corporation and by each of its subsidiaries in respect of the last completed financial year ended December 31, 1985, (i) to the directors of the Corporation in their capacity as directors of the Corporation and any of its subsidiaries, and (ii) to officers of the Corporation in their capacity as officers or employees of the Corporation and any of its subsidiaries, was as follows:

NATURE OF REMUNERATION			
Directors' Fees	Salaries	Other Remuneration	Total
Total number of directors and officers (38)			
REMUNERATION OF DIRECTORS			
Directors (26)			
Body Corporate incurring the expense:			
the Corporation	\$358,065	—	\$ 358,065
Power Financial	117,500	—	117,500
Investors	50,200	—	50,200
Great-West and subsidiaries	105,600	—	105,600
Montreal Trust	33,700	—	33,700
Gesca Ltée and subsidiaries	47,500	—	47,500
REMUNERATION OF OFFICERS			
Officers (12)			
Body Corporate incurring the expense:			
the Corporation	—	\$2,275,000	\$2,275,000
Power Financial	—	526,000	526,000
Great-West	—	75,000	75,000
TOTALS	\$712,565	\$2,876,000	\$3,588,565

The aggregate value of remuneration other than cash remuneration or remuneration under plans does not exceed 10% of the cash remuneration as reported above.

The estimated aggregate cost to the Corporation and its subsidiaries in the last completed financial year of all benefits proposed to be paid under any pension plans upon retirement at normal retirement age to directors and officers of the Corporation is \$6,485.

In May, 1985, the Board of Directors approved a Supplementary Employee Retirement Plan ("SERP") under which a pension benefit may become payable to such of the executive officers of the Corporation as may be designated for participation by the Compensation Committee of the Board of Directors. To date, five such officers have been so designated.

Under the SERP a participant becomes entitled to a maximum annual pension at normal retirement age equal to sixty percent of the average of the highest three years of the participant's salary out of the final ten years of employment, less the annual amount of the participant's pension under the Corporation's pension plan and less the amount of the benefit payable under the Canada Pension Plan on the date of retirement. Entitlement to the maximum supplementary pension under the SERP requires 15 years of employment with the Corporation. The amount of the supplementary pension is reduced by six and two-thirds percent for each year of employment with the Corporation less than 15. No benefit is payable to a participant with less than five years employment at retirement. In the event of retirement prior to normal retirement age, the supplementary pension earned to the date of early retirement becomes payable, provided the participant has completed 10 years of employment with the Corporation and subject to a reduction in the supplementary pension benefit of six percent for each year by which the retirement precedes age 60. Early retirement may not be elected prior to age 55. On the death of a participant following retirement, the surviving spouse, if any, becomes entitled to a pension of fifty percent of the supplementary pension of the participant.

SERP payments are not being funded and will be paid when due out of the general funds of the Corporation. No benefits were paid during 1985. The estimated level dollar amortization in 1985 of the aggregate cost to the Corporation of all benefits proposed to be paid under the SERP to present participants upon retirement at normal retirement age was \$612,000.

The Power Executive Stock Option Plan ("Plan") was established by the Board of Directors of the Corporation on March 8, 1985 and approved by the shareholders on May 10, 1985. Purposes of the Plan are (i) to grant to certain officers of the Corporation options to purchase Subordinate Voting Shares of the Corporation in order to encourage the productivity of such officers in furthering the growth and development of the Corporation and (ii) to assist the Corporation in retaining and attracting executives with experience and ability.

The Plan is administered by the Compensation Committee of the Board of Directors of the Corporation. No member of the committee, while he is a member thereof, may participate in the Plan. The Board of Directors of the Corporation may amend, suspend or terminate the Plan in whole or in part at any time. The Board of Directors may not, however, materially increase the benefits accruing to participants under the Plan, increase the number of shares issuable pursuant to the Plan or materially modify the requirements as to eligibility for participation in the Plan without the approval of the shareholders of the Corporation.

The committee designates certain officers of the Corporation to whom options are to be granted and the number of shares covered by each option. Officers may hold more than one option, and options may be exercised in whole at any time or in part from time to time during the option period.

The committee establishes the exercise price for each share covered by an option. The Plan requires, however, that the exercise price under any option must not be less than 90% of the market value of a share on the date of granting of the option. The Plan defines "market value" to mean the average of the high and low prices of shares on The Montreal Exchange and The Toronto Stock Exchange on the relevant day or on the last preceding day on which there were two or more reported sales.

The committee determines the period during which each option is exercisable, provided that such period may not commence earlier than the date of granting of the option and may not terminate later than ten years after such date, or earlier in the event of termination of employment due to retirement, death or other cause.

A total of 1,600,000 Subordinate Voting Shares are available for issue pursuant to the exercise of options under the Plan, subject to adjustment by the committee in the event of any change in the number of shares outstanding by reason of a stock dividend, share capital reorganization or the like. All shares subject to options that have terminated, been forfeited or been surrendered become available for subsequent options under the Plan.

On May 10, 1985, options to purchase an aggregate of 1,050,000 Subordinate Voting Shares of the Corporation were granted to officers of the Corporation, three of whom are also directors, under the terms of the Plan. The options are exercisable at a price of \$16.938 (the "exercise price") and expire on May 9, 1995. During the 30 days preceding May 10, 1985, the high and low prices of the Subordinate Voting Shares of the Corporation, adjusted for the two-for-one subdivision effective June 3, 1985, were \$17.00 and \$15.5625 respectively. Also, on March 18, 1986, options to purchase an aggregate of 100,000 Subordinate Voting Shares of the Corporation were granted to an officer of the Corporation under the terms of the Plan. The options are exercisable at a price of \$27.316 and expire on March 17, 1996. During the 30 days preceding March 18, 1986, the high and low prices of the Subordinate Voting Shares of the Corporation were \$29.25 and \$24.75 respectively.

On February 19, 1986, options to purchase 25,000 Subordinate Voting Shares of the Corporation under the Plan were exercised at the exercise price. During the 30 days preceding February 19, 1986, the high and low prices of the Subordinate Voting Shares of the Corporation were \$26.375 and \$21.125 respectively and, on the exercise date, the aggregate net value of the Subordinate Voting Shares underlying the options exercised was \$232,800.

The maximum aggregate annual amount of all remuneration payments, other than payments reported above, paid or proposed to be paid by the Corporation or any of its subsidiaries, pursuant to existing plans or arrangements, to directors and officers of the Corporation, was \$149,780 in 1985, will be \$209,791 in 1986, will be \$239,791 from 1987 to 1989, and will then reduce to \$233,958 from 1990, payable during the lifetime of the recipients or their widow.

The Corporation compensates each director for services during his term of office as follows: Each director receives a basic annual retainer of \$10,000 and an additional annual fee of \$2,000 is paid to the Chairman of the Audit Committee and the Chairman of the Compensation Committee. In addition the Corporation pays each director a fee of \$750 for each board meeting or committee meeting which he attends.

The Corporation has loaned \$150,000 on an interest-free basis to Mr. John A. Rae, an officer, for investment purposes. The largest aggregate amount outstanding during 1985 and as of March 21, 1986 was \$150,000.

During 1985, the Corporation loaned \$125,000 on an interest-free basis to Mr. J. Edward Johnson, an officer, in connection with the purchase of a residence. The largest aggregate amount outstanding at any time during 1985 was \$125,000 and as of March 21, 1986 was \$124,504.

Appointment of Auditors

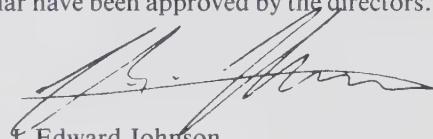
Touche Ross & Co. or its predecessor firms have been the auditors of the Corporation since its incorporation in 1925. It is proposed to re-appoint at the Meeting, or any adjournment thereof, Touche Ross & Co. as auditors of the Corporation to hold office until the close of the next annual meeting of shareholders. Except where authority to vote in respect of the appointment of auditors is withheld, the nominees named in the accompanying form of proxy will vote the shares represented thereby for the appointment of Touche Ross & Co. as auditors of the Corporation.

Discretionary Authority

The accompanying form of proxy confers discretionary authority with respect to amendments to the matters identified in the Notice of Special and Annual Meeting and on such other business as may properly come before the Meeting or any adjournment thereof. The management is not aware that any such amendments or other business are to be submitted to the Meeting. **If such amendments or other business properly come before the Meeting, or any adjournment thereof, the nominees named in such form of proxy will vote the shares represented thereby in their discretion.**

Approval of Management Proxy Circular

The contents and the sending of this Management Proxy Circular have been approved by the directors.



J. Edward Johnson
Vice-President and Secretary

Dated at Montréal, Québec
March 21, 1986

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To the holders of 3 3/4¢ Participating Preferred Shares and Subordinate Voting Shares:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of POWER CORPORATION OF CANADA will be held in the Mackenzie Room, The Queen Elizabeth Hotel, 900 Dorchester Boulevard West, Montréal, Québec, Canada, on Wednesday, May 6, 1987, at 11:00 a.m., local time, for the following purposes:

- (1) to elect directors;
- (2) to appoint auditors;
- (3) to receive the report of the directors for the year ended December 31, 1986, and the consolidated financial statements for such period and the auditors' report thereon; and
- (4) to transact such other business as may properly come before the Meeting.

BY ORDER OF THE BOARD OF DIRECTORS

J. Edward Johnson
Vice-President and Secretary

Montréal, Québec
March 20, 1987

IF YOU DO NOT EXPECT TO BE PRESENT AT THE MEETING, PLEASE COMPLETE, DATE AND SIGN THE ACCOMPANYING FORM OF PROXY AND RETURN IT IN THE ENVELOPE ENCLOSED FOR THE PURPOSE.

Si vous préférez recevoir un exemplaire en français,
veuillez vous adresser au vice-président et secrétaire,
Power Corporation du Canada,
759, Square Victoria,
Montréal (Québec),
Canada H2Y 2K4

MANAGEMENT PROXY CIRCULAR

This Management Proxy Circular is sent in connection with the solicitation by the management of Power Corporation of Canada (the "Corporation") of proxies for use at the Annual Meeting of Shareholders of the Corporation to be held on Wednesday, May 6, 1987 (the "Meeting"), or any adjournment thereof. The method of solicitation will be primarily by mail. However, proxies may also be solicited by regular employees or agents of the Corporation personally or in writing or by telephone. The cost of solicitation will be borne by the Corporation.

The following abbreviations have been used throughout this Management Proxy Circular:

Name in full	Abbreviation
Power Financial Corporation	PFC
Great-West Lifeco Inc.	Lifeco
The Great-West Life Assurance Company	Great-West
Investors Group Inc.	Investors
Montreal Trustco Inc.	Montreal Trust
Gold Circle Insurance Company	Gold Circle

Revocation of Proxy

A shareholder giving a proxy may revoke the proxy by instrument in writing executed by the shareholder or his attorney authorized in writing or, if the shareholder is a corporation, by an officer or attorney thereof duly authorized, and deposited either at the registered office of the Corporation, 759 Victoria Square, Montréal, Québec, Canada H2Y 2K4, at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used or with the Chairman of the Meeting on the day of the Meeting, or any adjournment thereof, or in any other manner permitted by law, but prior to the exercise of such proxy in respect of any particular matter.

Voting Shares and Principal Holders Thereof

On March 20, 1987, there were outstanding 11,576,223 3 3/4¢ Participating Preferred Shares without nominal or par value (herein called "Participating Preferred Shares") and 114,295,002 Subordinate Voting Shares without nominal or par value (herein called "Subordinate Voting Shares") of the Corporation. The Participating Preferred Shares and the Subordinate Voting Shares are herein sometimes collectively referred to as the "Voting Shares".

Each holder of Participating Preferred Shares is entitled to ten votes and each holder of Subordinate Voting Shares is entitled to one vote at the Meeting, or any adjournment thereof, for each share registered in the holder's name as at the close of business on the date immediately preceding the day on which the notice of the Meeting is given (the "Determination Date"), except that a transferee of Voting Shares acquired since the Determination Date shall be entitled to vote such shares at the Meeting, or any adjournment thereof, if the transferee produces properly endorsed share certificates for such shares, or otherwise establishes that such shares are owned by the transferee, and has demanded not later than ten days before the Meeting that the transferee's name be included in the list of shareholders entitled to receive the notice of the Meeting, such list having been prepared as of the Determination Date.

To the knowledge of the directors and officers of the Corporation, only Gelco Enterprises Ltd. ("Gelco") and Transportation Management Corporation ("TMC") each own shares carrying more than 10% of the votes attached to the outstanding Voting Shares of the Corporation. Gelco and TMC are associates of Mr. Paul Desmarais, Chairman and Chief Executive Officer of the Corporation. On March 20, 1987, Mr. Paul Desmarais and associates, Gelco, TMC, Monceau Investments Inc. and Prime Investors Ltd. owned, in the aggregate, 11,411,852 Participating Preferred Shares representing 98.6% of the outstanding Participating Preferred Shares and 24,315,913 Subordinate Voting Shares representing 21.3% of the outstanding Subordinate Voting Shares; family trusts of which a majority of the trustees consist of Mr. Paul Desmarais and associates or of associates of Mr. Paul Desmarais exercise control or direction over 87,108 Participating Preferred Shares and 2,096 Subordinate Voting Shares. In total, the shares owned by Mr. Paul Desmarais and associates or over which the said trustees exercise control or direction represent 60.55% of the 230,057,232 votes attached to the outstanding Voting Shares of the Corporation.

Election of Directors

The Board of Directors of the Corporation consists of not less than 9 and not more than 28 members as determined from time-to-time by the directors. The 27 persons named hereunder will be proposed for election as directors of the Corporation. Except where authority to vote in respect of the election of directors is withheld, the nominees named in the accompanying form of proxy will vote the shares represented thereby for the election of the 27 persons named hereunder. The management of the Corporation does not contemplate that any of the persons named hereunder will, for any reason, become unable or unwilling to serve as a director. However, if such event should occur prior to the election, the nominees named in the accompanying form of proxy reserve the right to vote for the election in his stead of such other person as they in their discretion determine.

Each director shall hold office until the close of the next annual meeting of shareholders, unless he resigns or his office becomes vacant for any reason.

Name, municipality of residence, principal occupation and other major positions with the Corporation and its affiliates	Served as Director from	Approximate number of shares of each class of the Corporation and of its affiliates held directly or indirectly as of March 20, 1987
Hon. John B. Aird, O.C., Q.C. Toronto, Ontario Senior partner of Aird & Berlis, Barristers and Solicitors, and Vice-Chairman of the Corporation	March, 1986	2,000 Subordinate Voting Shares of the Corporation
Charles R. Bronfman, O.C. (c) Westmount, Québec Co-Chairman of the Board and Chairman of the Executive Committee of The Seagram Company Ltd., a producer and marketer of distilled spirits and wines	May, 1983	40,000 Subordinate Voting Shares of the Corporation
James W. Burns (a) Montréal, Québec Deputy Chairman of the Corporation; Chairman and Chief Executive Officer of PFC; Chairman of Lifeco; Chairman of Great-West	May, 1978	303,328 Subordinate Voting Shares of the Corporation 2,000 Common Shares of PFC 18,000 Common Shares of Lifeco 50 Common Shares of Great-West 10 Series A Preferred Shares of Great-West 50 Common Shares of Gold Circle 10,000 Common Shares of Investors 30,000 Common Shares of Montreal Trust
Peter D. Curry (a) Montréal, Québec Director	November, 1968	400,000 Subordinate Voting Shares of the Corporation 10,000 Common Shares of Lifeco 50,000 Common Shares of Montreal Trust
Hon. William G. Davis, P.C., C.C., Q.C. Brampton, Ontario Counsel, Tory, Tory, DesLauriers & Binnington, Barristers and Solicitors	May, 1985	
Paul Desmarais, C.C. (a) Westmount, Québec Chairman and Chief Executive Officer of the Corporation	May, 1968	See "Voting Shares and Principal Holders Thereof" on page 2. 8,000 Common Shares of Lifeco 50 Common Shares of Great-West 10 Series A Preferred Shares of Great-West 50 Common Shares of Gold Circle

(a) Member of the Executive Committee
 (b) Member of the Audit Committee
 (c) Member of the Compensation Committee

Name, municipality of residence, principal occupation and other major positions with the Corporation and its affiliates	Served as Director from	Approximate number of shares of each class of the Corporation and of its affiliates held directly or indirectly as of March 20, 1987
Gérard Eskenazi Saint-Cloud, France Chairman of Banque Paribas (Suisse) S.A., a merchant bank; Deputy Chairman and President of Groupe Bruxelles Lambert S.A., a financial and industrial group; Chairman of the Executive Committee of Pargesa Holding S.A., a bank holding company	November, 1979	4,000 Subordinate Voting Shares of the Corporation
Michel François-Poncet Paris, France Chairman and Chief Executive Officer of Compagnie Financière de Paribas and of Banque Paribas, commercial banks	November, 1986	1,000 Subordinate Voting Shares of the Corporation
Rowland C. Frazee Town of Mount Royal, Québec Retired Chairman and Chief Executive Officer of The Royal Bank of Canada, a chartered bank	May, 1982	2,000 Subordinate Voting Shares of the Corporation
Albert P. Frère Brussels, Belgium Deputy Chairman and Chairman of the Executive Committee of Groupe Bruxelles Lambert S.A., a financial and industrial group; Chairman and Chief Executive Officer of Établissements Frère-Bourgeois, a family holding company	May, 1985	
William M. Fuller (b) Fort Worth, Texas, U.S.A. Chairman of Fuller Petroleum, Inc., an oil exploration company	April, 1975	289,600 Subordinate Voting Shares of the Corporation
Pierre Genest, Q.C. (b) Toronto, Ontario Partner of Cassels, Brock & Blackwell, Barristers and Solicitors	November, 1973	800 Subordinate Voting Shares of the Corporation
Jean-Paul Gignac, O.C. Shawinigan, Québec Director	May, 1970	28,400 Subordinate Voting Shares of the Corporation 2,400 Common Shares of Lifeco
Roland Giroux, C.C. (a) Montréal, Québec Director	May, 1977	2,400 Subordinate Voting Shares of the Corporation 200 Common Shares of PFC 500 Common Shares of Great-West 17,000 Common Shares of Montreal Trust

(a) Member of the Executive Committee
(b) Member of the Audit Committee
(c) Member of the Compensation Committee

Name, municipality of residence,
principal occupation and other
major positions with the Corporation
and its affiliates

Served as
Director from

Approximate number of shares of
each class of the Corporation
and of its affiliates held directly or
indirectly as of March 20, 1987

Pierre Haas
Paris, France
Honorary Chairman of Paribas
International, a merchant bank

May, 1978

4,000 Subordinate Voting
Shares of the Corporation

Arden R. Haynes
Don Mills, Ontario
Chairman, President and Chief
Executive Officer of Imperial
Oil Limited, an energy company

July, 1984

800 Subordinate Voting
Shares of the Corporation

F. Ross Johnson (c)
Winston Salem, N.C., U.S.A.
President and Chief Executive
Officer of RJR Nabisco,
a producer and marketer of
consumer products

May, 1982

800 Subordinate Voting
Shares of the Corporation

Robert H. Jones
Winnipeg, Manitoba
Chairman of Investors

February, 1976

2,800 Subordinate Voting
Shares of the Corporation
8,000 Common Shares of
LifeCo
50 Common Shares of
Great-West
10 Series A Preferred
Shares of Great-West
50 Common Shares of
Gold Circle
11,000 Common Shares of
Investors
1,750 Common Shares of
Montreal Trust

A. F. Knowles, C.A. (a)
Beaconsfield, Québec
President and Chief Operating
Officer of the Corporation;
Deputy Chairman of PFC

May to
September, 1969
and from
May, 1978

302,208 Subordinate Voting
Shares of the Corporation
975 First Preferred Shares
1965 Series of the
Corporation
2,000 Common Shares of PFC
10,000 Common Shares of
LifeCo
1,000 Series A Preferred
Shares of Great-West
50 Common Shares of
Gold Circle
1,000 Common Shares of
Investors
1,754 Common Shares of
Montreal Trust

Paul Britton Paine, Q.C. (b)(c)
Westmount, Québec
Director

May, 1970

56,600 Subordinate Voting
Shares of the Corporation
10,000 Common Shares of
LifeCo
400 Series A Preferred
Shares of Great-West
50 Common Shares of
Gold Circle
17,500 Common Shares of
Montreal Trust

(a) Member of the Executive Committee
(b) Member of the Audit Committee
(c) Member of the Compensation Committee

Name, municipality of residence, principal occupation and other major positions with the Corporation and its affiliates	Served as Director from	Approximate number of shares of each class of the Corporation and of its affiliates held directly or indirectly as of March 20, 1987
Robert Parizeau Montréal, Québec President and Chief Executive Officer of Sodarcan Inc., an insurance and reinsurance holding company	May, 1985	19,600 Subordinate Voting Shares of the Corporation
P. Michael Pitfield, P.C., Q.C. (a) Ottawa, Ontario Member of the Senate of Canada, Ottawa, and Vice-Chairman of the Corporation and of PFC	May, 1985	30,000 Subordinate Voting Shares of the Corporation 1,000 Common Shares of PFC 20 Series A Preferred Shares of Great-West 4,000 Common Shares of Investors 4,000 Common Shares of Montreal Trust
Yves Pratte, Q.C. (a)(c) Montréal, Québec Partner of Clarkson, Tétrault, Barristers and Solicitors	May, 1981	1,200 Subordinate Voting Shares of the Corporation 400 Common Shares of PFC 200 Common Shares of Lifeco
The Right Honourable The Viscount Rothermere London, England Chairman of Associated Newspapers Holding plc, a newspaper and magazine publishing company	May, 1986	
Pierre Scohier Salles-Chimay, Belgium Managing Director, Chief Executive Officer and Chairman of the Executive Committee of Compagnie Belge de Participations Paribas “COBEPA” S.A., a holding company	May, 1985	
Peter N. Thomson Nassau, Bahamas Vice-Chairman of West Indies Power Corporation Limited, a public utility corporation	August, 1956	3,002 Subordinate Voting Shares of the Corporation
William I. M. Turner, Jr., C.M. (a) Westmount, Québec Chairman and Chief Executive Officer of Consolidated- Bathurst Inc., a producer and marketer of paper and forest products	May, 1966	225,000 Subordinate Voting Shares of the Corporation

(a) Member of the Executive Committee
(b) Member of the Audit Committee
(c) Member of the Compensation Committee

Directors' and Officers' Remuneration

The aggregate cash remuneration paid by the Corporation and its subsidiaries to the twelve executive officers of the Corporation for services rendered during 1986, including salaries, fees, directors' fees, commissions and bonuses, was \$3,269,067. The aggregate value of all remuneration other than cash remuneration or remuneration under plans during 1986 did not exceed \$120,000.

Great-West has in effect contractual arrangements under which it has undertaken to make compensation payments to certain of its executive officers subject to the fulfillment of certain conditions. The aggregate annual amounts of all such payments in 1986 and proposed to be made in subsequent years to executive officers of the Corporation pursuant to such arrangements and assuming commencement of payments at the earliest permitted date, are as follows:

Years	Aggregate
1986	nil
1987 and subsequent years during the lifetime of the recipients	\$38,400

Entitlement to certain of such payments is contingent on completion by the proposed recipient of prescribed periods of service and/or on compliance with conditions as to the provision of consulting services or as to non-competiton. Such payments are payable either for the lifetime of the proposed recipients or for a prescribed period. If commencement of payments should be deferred, the amount then payable would be increased by a predetermined amount.

In May, 1985, the Board of Directors approved a Supplementary Employee Retirement Plan ("SERP") under which a pension benefit may become payable to such of the executive officers of the Corporation as may be designated for participation by the Compensation Committee of the Board of Directors. To date, five such officers have been so designated.

Under the SERP a participant becomes entitled to a maximum annual pension at normal retirement age equal to 60 percent of the average of the highest three years of the participant's salary out of the final 10 years of employment, less the annual amount of the participant's pension under the Corporation's pension plan and less the amount of the benefit payable under the Canada Pension Plan on the date of retirement. Entitlement to the maximum supplementary pension under the SERP requires 15 years of employment with the Corporation. The amount of the supplementary pension is reduced by six and two-thirds percent for each year of employment with the Corporation less than 15. No benefit is payable to a participant with less than five years employment at retirement. In the event of retirement prior to normal retirement age, the supplementary pension earned to the date of early retirement becomes payable, provided the participant has completed 10 years of employment with the Corporation and subject to a reduction in the supplementary pension benefit of six percent for each year by which the retirement precedes age 60. Early retirement may not be elected prior to age 55. On the death of a participant following retirement, the surviving spouse, if any, becomes entitled to a pension of fifty percent of the supplementary pension of the participant.

SERP payments are paid when due out of the general funds of the Corporation. The aggregate amount of Supplementary Pension Plan benefits paid during 1986 was nil.

The Power Executive Stock Option Plan ("Plan") was established by the Board of Directors of the Corporation on March 8, 1985 and approved by the shareholders on May 10, 1985. The purposes of the Plan are (i) to grant to certain officers of the Corporation options to purchase Subordinate Voting Shares of the Corporation in order to encourage the productivity of such officers in furthering the growth and development of the Corporation and (ii) to assist the Corporation in retaining and attracting executives with experience and ability.

The Plan is administered by the Compensation Committee of the Board of Directors of the Corporation. No member of the committee, while he is a member thereof, may participate in the Plan. The Board of Directors of the Corporation may amend, suspend or terminate the Plan in whole or in part at any time. The Board of Directors may not, however, materially increase the benefits accruing to participants under the Plan, increase the number of shares issuable pursuant to the Plan or materially modify the requirements as to eligibility for participation in the Plan without the approval of the shareholders of the Corporation.

The committee designates certain officers of the Corporation to whom options are to be granted and the number of shares covered by each option. Officers may hold more than one option, and options may be exercised in whole at any time or in part from time to time during the option period.

The committee establishes the exercise price for each share covered by an option. The Plan requires, however, that the exercise price under any option must not be less than 90% of the market value of a share on the date of granting of the option. The Plan defines "market value" to mean the average of the high and low prices of shares on The Montreal Exchange and The Toronto Stock Exchange on the relevant day or on the last preceding day on which there were two or more reported trades.

The committee determines the period during which each option is exercisable, provided that such period may not commence earlier than the date of granting of the option and may not terminate later than ten years after such date, or earlier in the event of termination of employment due to retirement, death or other cause.

A total of 3,101,000 Subordinate Voting Shares are available for issue pursuant to the exercise of options under the Plan, subject to adjustment by the committee in the event of any change in the number of shares outstanding by reason of a stock dividend, share capital reorganization or the like. All shares subject to options that have terminated, been forfeited or been surrendered become available for subsequent options under the Plan. Options on a total of 2,326,000 Subordinate Voting Shares were outstanding as of March 20, 1987.

In connection with options granted during the most recently completed financial year of the Corporation, the following table summarizes the date of granting, the expiry date, the number of Subordinate Voting Shares covered by options granted and the exercise price. In each case the exercise price is not less than market value, as defined above, at the time of the granting of the option.

<u>Date</u>	<u>Date of expiry</u>	<u>Number of shares under option*</u>	<u>Exercise price*</u>
March 18, 1986	March 17, 1996	200,000	\$13.59375
September 5, 1986	September 4, 1996	125,000	\$16.53

**Adjusted to reflect the two-for-one subdivision effective June 16, 1986.*

In connection with options exercised during the most recently completed financial year of the Corporation, the following table indicates the date of exercise, the number of options exercised, the purchase price paid for shares by optionees and the aggregate net value (market value less exercise price) of the shares underlying the options so exercised:

<u>Date</u>	<u>Number of options exercised*</u>	<u>Purchase price*</u>	<u>Aggregate net value per share*</u>
February 19, 1986	50,000	\$8.46875	\$4.3475
April 22, 1986	2,600	8.46875	\$7.59375
May 2, 1986	12,000	8.469	\$9.281
May 5, 1986	9,400	8.46875	\$9.53125
July 8, 1986	10,000	8.46875	\$9.28025

**Adjusted to reflect the two-for-one subdivision effective June 16, 1986.*

The Corporation compensates each director for services during his term of office as follows: each director receives a basic annual retainer of \$10,000 and an additional annual fee of \$2,000 is paid to the Chairman of the Audit Committee and the Chairman of the Compensation Committee. In addition the Corporation pays each director a fee of \$750 for each board meeting or committee meeting which he attends.

The Corporation has made a loan on an interest-free basis to Mr. John A. Rae, Montreal, Quebec, an officer, for investment purposes. The largest aggregate amount outstanding under this loan during 1986 and the aggregate amount outstanding as of March 20, 1987 was \$150,000.

The Corporation has made a loan on an interest-free basis to Mr. J. Edward Johnson, Montreal, Quebec, an officer, in connection with the purchase of a residence. The largest aggregate amount outstanding under this loan at any time during 1986 was \$124,504 and the aggregate amount outstanding as of March 20, 1987 was \$123,229.

Material Transactions

On March 20, 1986, an option expiring March 30, 1997 was granted by PFC to a director, Mr. Gérard Eskenazi, in his capacity as managing director of Pargesa Holding S.A. ("Pargesa"), to purchase from PFC up to 10,000 registered shares at Sfr. 159 per share and up to 2,500 bearer shares at Sfr. 1,590 per share of Pargesa. On October 6, 1986, a further option, also expiring on March 30, 1997, was granted to the same optionee to purchase up to 300 bearer shares at Sfr. 1,997 per share. PFC agreed to make a loan bearing interest at variable rate to the optionee in an amount not exceeding that of the aggregate purchase price of the optioned shares provided that (i) the proceeds of the loan are to be used exclusively to pay for the optioned shares, (ii) repayment of the loan is to be secured by the pledging of the purchased shares, execution of the pledge constituting PFC's recourse in case of non-payment of the loan and (iii) the loan is to be repaid not later than March 31, 1997. The option was exercised in respect of 10,000 registered shares of Pargesa, and a loan in the amount of Sfr. 1,590,000 was granted to Mr. Eskenazi on those terms and remains outstanding; the rate of interest before withholding and other taxes payable on the loan in 1986 and to June 30, 1987 is 5.1%.

During the last quarter of 1986, PFC purchased 47,589 bearer shares and 109,960 registered shares of Pargesa for Sfr. 2,300 and Sfr. 230, per share respectively. Among those shares, 3,200 bearer shares and 68,000 registered shares were bought from an associate of Mr. Albert Frère, a Director of the Corporation. During the last quarter of 1986, the high and low prices of the bearer shares were Sfr. 2,435 and Sfr. 1,970 respectively on the Zurich Stock Exchange.

Under an agreement signed on August 1, 1986, the Corporation acquired all of the outstanding common shares of Katenac Holdings Ltd. and Prades Inc. for a price of \$28 million and \$7.8 million respectively, payable in 2,113,650 Subordinate Voting Shares of the Corporation to be issued at the price of \$16.9375 which is the average of the closing prices of the shares on The Montreal Exchange and The Toronto Stock Exchange on July 31, 1986. The transaction was subject to the approval of the Canadian Radio-television and Telecommunications Commission (CRTC). Approval of the acquisition was granted by the CRTC on January 29, 1987.

The Chairman of the Board and Chief Executive Officer of the Corporation, Mr. Paul Desmarais, held 45% of the outstanding common shares of Katenac Holdings Ltd., and 50% of the outstanding common shares of Prades Inc. Mr. John A. Rae, an officer of the Corporation, held 2.5% of the outstanding common shares of Katenac Holdings Inc. Valuations of the two companies were obtained from independent chartered accountants and reviewed by a committee of outside Directors of the Corporation.

Purchase of Subordinate Voting Shares

In March, 1987, the Board of Directors authorized the Corporation to purchase between May 1, 1987 and April 30, 1988, at prevailing market prices through the facilities of The Montreal Exchange and The Toronto Stock Exchange up to 6,786,899 Subordinate Voting Shares subject to required filings with and approvals of the regulatory authorities.

The share purchase program, if approved, will in the appropriate circumstances provide an economically worthwhile investment by the Corporation and prevent dilution from the issue of treasury shares under the Power Executive Stock Option Plan.

It is not known whether any insiders of the Corporation or such insiders' affiliates or associates intend to sell their Subordinate Voting Shares during the period May 1, 1987 to April 30, 1988.

Shareholders may obtain without charge copies of such documents as may be filed with the regulatory authorities in respect of the above-mentioned share purchases by the Corporation by writing to the Secretary of the Corporation.

Appointment of Auditors

Touche Ross & Co. or its predecessor firms have been the auditors of the Corporation since its incorporation in 1925. It is proposed to re-appoint at the Meeting, or any adjournment thereof, Touche Ross & Co. as auditors of the Corporation to hold office until the close of the next annual meeting of shareholders. Except where authority to vote in respect of the appointment of auditors is withheld, the nominees named in the accompanying form of proxy will vote the shares represented thereby for the appointment of Touche Ross & Co. as auditors of the Corporation.

Discretionary Authority

The accompanying form of proxy confers discretionary authority with respect to amendments to the matters identified in the notice of the Meeting and on such other business as may properly come before the Meeting or any adjournment thereof. The management is not aware that any such amendments or other business are to be submitted to the Meeting. **If such amendments or other business properly come before the Meeting, or any adjournment thereof, the nominees named in such form of proxy will vote the shares represented thereby in their discretion.**

Approval of Management Proxy Circular

The contents and the sending of this Management Proxy Circular have been approved by the directors.



J. Edward Johnson
Vice-President and Secretary

Dated at Montréal, Québec
March 20, 1987

This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or any similar authority in Canada has in any way passed upon the merits of the securities offered hereby and any representation to the contrary is an offence.

This short form prospectus contains information intended to be completed by consulting the Corporation's permanent information record. A copy of the permanent information record may be obtained without charge from your dealer or from the Secretary of the Corporation at 759 Victoria Square, Montreal, Quebec, H2Y 2K4 (telephone (514) 286-7400).

New Issue



POWER CORPORATION OF CANADA

\$100,000,000

(2,000,000 shares)

Cumulative Redeemable First Preferred Shares, 1986 Series

Cumulative preferential cash dividends will be payable quarterly on the First Preferred Shares 1986 Series on the 15th day of each of January, April, July and October in each year in an amount per share determined by applying the Quarterly Dividend Rate to \$50.00. The Quarterly Dividend Rate is (i) 2% in the case of dividends payable on or prior to April 15, 1991, and (ii) one quarter of 70% of the average of the prime rates of two specified major Canadian chartered banks for specified three-month periods in the case of dividends payable after April 15, 1991.

The Montreal, Toronto and Vancouver stock exchanges have conditionally approved the listing of the First Preferred Shares 1986 Series. The listing is conditional upon the Corporation fulfilling all of the requirements of these exchanges no later than April 23, 1986.

In the opinion of counsel, the First Preferred Shares 1986 Series will be eligible for investment under certain statutes as set forth under "Eligibility for Investment".

Price: \$50.00 per share

We, as principals, conditionally offer these First Preferred Shares 1986 Series subject to prior sale if, as and when issued by the Corporation and accepted by us in accordance with the terms and conditions contained in the Underwriting Agreement referred to under "Plan of Distribution", and subject to the approval of certain legal matters on behalf of the Corporation by Clarkson, Tétrault, Montreal, and on our behalf by Doheny Mackenzie, Montreal.

	<u>Price to Public</u>	<u>Underwriters' Fee (1)</u>	<u>Net Proceeds to the Corporation (2)</u>
Per Share	\$50.00	\$1.50	\$48.50
Total	\$100,000,000	\$3,000,000	\$97,000,000

(1) The Underwriters' fee per First Preferred Share 1986 Series is \$0.50 for each share sold to certain specified institutions and \$1.50 per share for all other shares. The per share and total amounts represent the maximum fees assuming no shares are sold to specified institutions.

(2) Before deducting expenses of issue estimated at \$100,000 payable by the Corporation from its general funds.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is intended that the closing of this offering will take place on February 18, 1986, or such other date as may be agreed upon, but not later than March 4, 1986. It is expected that definitive share certificates representing the First Preferred Shares 1986 Series will be available for delivery on February 18, 1986.

BRINK HUDSON & LEFEVER LTD.
SUITE 1500, PARK PLACE
666 BURRARD STREET
VANCOUVER, B.C. V6C 3C4

TABLE OF CONTENTS

	<u>Page</u>
Documents Incorporated by Reference	2
The Corporation.....	3
Corporate Structure	3
Business of the Subsidiaries and Affiliate	4
Use of Proceeds.....	5
Share Capital	5
Certain Provisions of the First Preferred Shares as a Class	5
\$2.375 Cumulative Redeemable First Preferred Shares, 1965 Series	6
Details of the Offering	6
Consolidated Capitalization.....	8
Selected Consolidated Financial Information.....	8
Asset Coverage	9
Dividend Coverage	9
Recent Developments	9
Plan of Distribution	10
Certain Canadian Income Tax Considerations.....	10
Eligibility for Investment	11
Auditors, Transfer Agent and Registrar.....	11
Purchaser's Statutory Rights.....	11
Certificates	12

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, filed with the provincial securities commissions or other similar authorities in Canada, are incorporated by reference in, and form an integral part of, this short form prospectus:

- a) the 1985 Annual Information Form of the Corporation dated April 15, 1985;
- b) the Corporation's audited consolidated financial statements for the year ended December 31, 1984, and the report of the auditors thereon, contained in the 1984 Annual Report of the Corporation;
- c) the Corporation's Proxy Circular dated March 29, 1985;
- d) the Corporation's unaudited consolidated financial statements for the quarters ended March 31, June 30 and September 30, 1985.

All documents of the nature referred to above and any material change reports (excluding confidential reports) filed by the Corporation with the provincial securities commissions or other similar authorities in Canada, after the date of this short form prospectus and prior to the termination of the offering made hereby, shall be deemed to be incorporated by reference in this short form prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.

THE CORPORATION

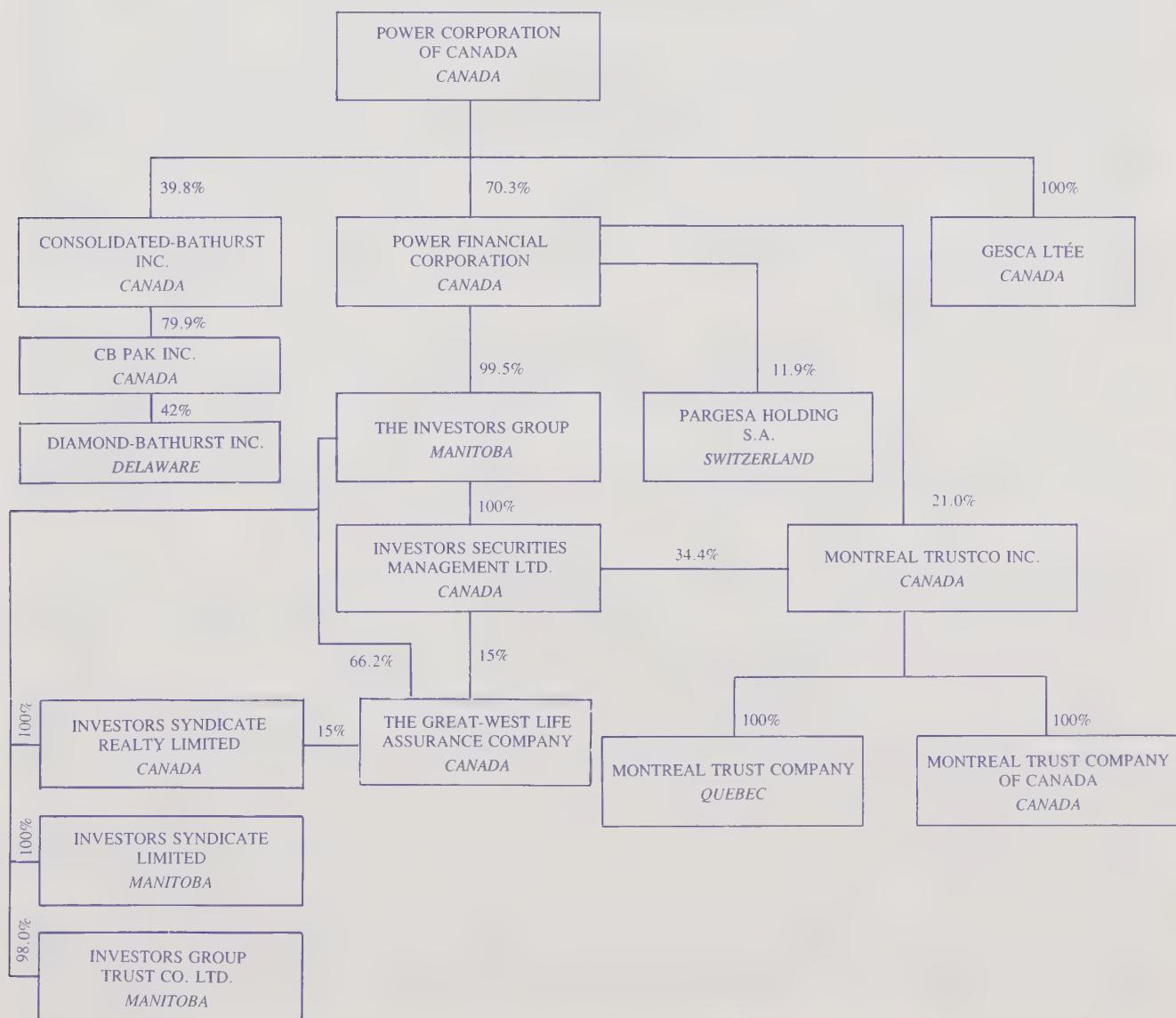
Power Corporation of Canada (herein referred to as the "Corporation") was incorporated on April 18, 1925 under The Companies Act and was continued under the Canada Business Corporations Act on June 13, 1980. The head office and principal place of business of the Corporation is located at 759 Victoria Square, Montreal, Quebec, H2Y 2K4.

The Corporation is a holding and management corporation which, directly or indirectly, owns major interests in companies that are active in the following business sectors, namely: financial services, pulp and paper, packaging, energy resources and newspaper publishing.

The principal subsidiaries and affiliate of the Corporation are Power Financial Corporation ("Power Financial"), Gesca Ltée ("Gesca") and Consolidated-Bathurst Inc. (collectively with its subsidiaries, "Consolidated-Bathurst"). See "Recent Developments".

Corporate Structure

The following chart summarizes the current corporate structure of the Corporation including all significant subsidiaries and its affiliate, their jurisdictions of incorporation and the percentage of voting shares held:



Business of the Subsidiaries and Affiliate

Power Financial offers, through The Investors Group (collectively, with one or more of its subsidiaries, and excluding Great-West Life and Montreal Trustco, (“Investors”), The Great-West Life Assurance Company (“Great-West Life”) and Montreal Trustco Inc. (“Montreal Trustco”), and collectively, with one or more of its subsidiaries, (“Montreal Trust”), an extensive range of financial products and services to individuals and corporations in Canada and the United States. In addition, it has a presence in Europe through its investment in Pargesa Holding S.A. (“Pargesa”).

Investors provides financial services to individuals and corporations throughout Canada and sells financial products including mutual funds, of which it is the largest distributor in Canada, investment certificates and other products. Investors also offers investment management and administrative services to pension funds and other benefit programs. Investors has approximately 1,300 sales representatives who operate from 52 sales offices across Canada. At September 30, 1985 and 1984, it had assets under administration of \$6.3 billion and \$5.2 billion, respectively.

Great-West Life is the largest shareholder-owned life insurance company in Canada in terms of assets, premium income and life insurance in force. It sells and underwrites life insurance, health coverages and annuities to groups and individuals. Great-West Life operates throughout Canada and in 48 states and the District of Columbia in the United States. At September 30, 1985 and 1984, it had assets of \$10.3 billion and \$8.9 billion, respectively, and had \$96.3 billion and \$88.4 billion, respectively, of life insurance in force with over three million policyholders and group certificate holders.

Montreal Trust is an important provider of personal financial services in Canada and believes it has a leading position in the corporate services sector among Canadian trust companies. It operates throughout Canada from 79 locations with a salaried staff of over 2,200 and more than 1,200 commissioned real estate agents. At September 30, 1985 and 1984, Montreal Trust’s total assets administered were \$23.6 billion and \$20.3 billion, respectively.

Pargesa, an investment and holding corporation based in Switzerland, is a major shareholder of Paribas (Suisse) S.A. and is the leading member of a consortium whose members together hold approximately a 36% interest in Groupe Bruxelles Lambert S.A., which has interests in several major financial and industrial enterprises in Europe and the United States.

Consolidated-Bathurst is one of Canada’s largest integrated pulp and paper and packaging enterprises. It owns and operates 15 newsprint machines in Quebec, with an aggregate annual capacity of 962,000 tonnes representing approximately 10% of the aggregate annual newsprint capacity in Canada. In addition, the Bridgewater mill in the United Kingdom adds 253,000 tonnes to the annual newsprint capacity. Consolidated-Bathurst manufactures annually approximately 200,000 tonnes of various blends of hardwood and softwood pulp which it sells to producers of fine and specialty papers. In addition a chemi-thermo-mechanical pulp mill with an annual capacity of 152,000 tonnes supplies its Bridgewater newsprint mill in the United Kingdom. Consolidated-Bathurst also manufactures and sells containerboard, kraft paper, boxboard and lumber.

Consolidated-Bathurst’s packaging products are produced and sold through CB Pak Inc., MacMillan Bathurst Inc. and Europa Carton AG. CB Pak Inc. is a diversified designer, manufacturer and supplier of glass, plastic, paper, laminated and metallized packaging products and a distributor of packaging machinery systems. Its subsidiary, Domglas Inc., is the largest manufacturer of glass containers in Canada accounting for over 50% of the domestic market. Another subsidiary, Twinpak Inc., is one of Canada’s leading producers and marketers of a widely diversified range of plastic packaging products. CB Pak Inc. owns 42% of Diamond-Bathurst Inc., a glass bottle manufacturer in the United States specializing in sales to distilled spirits producers with over 10% of that market in the United States. Its shares are listed on the American Stock Exchange. MacMillan Bathurst Inc., 50% owned with MacMillan Bloedel Limited, is one of the largest national producers of corrugated containers in Canada. Europa Carton AG and its subsidiaries is one of West Germany’s largest manufacturers and marketers of corrugated containers and folding cartons as well as a producer and seller of paperboard.

Consolidated-Bathurst has investments in the energy resource sector, principally through shareholdings in Sceptre Resources Limited, Sulpetro Limited and Sulbath Exploration Ltd., the first two of which are publicly-owned Canadian oil and gas exploration and development companies, and also through participation in a joint venture exploration program with Remington Energy Ltd., a privately-owned company in Calgary, Alberta.

Gesca owns and operates publishing, printing and distribution interests. Gesca owns La Presse, Ltée and Les Publications J.T.C. Inc. La Presse, Ltée publishes La Presse daily newspaper with an estimated circulation of 189,000 copies per day on weekdays and 295,000 on Saturday (based on the average daily circulation determined by the Audit Bureau of Circulations for the six-month period ended September 30, 1985). Les Journaux Trans-Canada (1982) Inc., a wholly-owned subsidiary of Les Publications J.T.C. Inc., publishes three regional daily newspapers. Le Nouvelliste of Trois-Rivières is the largest of these newspapers with an average daily circulation of approximately 52,000 copies.

USE OF PROCEEDS

The net proceeds from the sale of the First Preferred Shares 1986 Series offered hereby, estimated to be not less than \$96,900,000, will be used to make corporate investments. Pending such use, such proceeds will be invested in short-term marketable securities.

SHARE CAPITAL

The authorized share capital of the Corporation consists of an unlimited number of First Preferred Shares issuable in series, an unlimited number of 7½¢ Participating Preferred Shares and an unlimited number of Subordinate Voting Shares, all without par value, of which 228,460 \$2.375 Cumulative Redeemable First Preferred Shares, 1965 Series, 5,661,902 7½¢ Participating Preferred Shares and 55,174,512 Subordinate Voting Shares were issued and outstanding at December 31, 1985. The share totals for the 7½¢ Participating Preferred Shares and the Subordinate Voting Shares reflect a two-for-one subdivision which became effective June 3, 1985. Included in the totals are 8,000,000 Subordinate Voting Shares issued in February 1985 at \$14.00 per share pursuant to an offering to the public, the concurrent issue of 100,554 7½¢ Participating Preferred Shares at \$14.00 per share, and the issue of 1,700,000 Subordinate Voting Shares at \$10.50 per share on various dates in 1985 pursuant to share subscription rights issued in 1984. In addition to the above, 966,664 Subordinate Voting Shares are reserved for issuance pursuant to share subscription rights exercisable at \$10.50 per share at any time up to April 25, 1987, and 1,600,000 Subordinate Voting Shares are reserved for issuance pursuant to the Executive Stock Option Plan of the Corporation, with respect to which options for 1,050,000 of such shares have been granted and are exercisable at \$16.938 per share until May 9, 1995.

Certain Provisions of the First Preferred Shares as a Class

The following is a brief summary of the material rights, privileges, restrictions and conditions attached to the First Preferred Shares as a class.

Issuable in Series — The First Preferred Shares may be issued from time to time in one or more series and the Board of Directors of the Corporation may determine by resolution the designation, rights, privileges, restrictions and conditions to be attached to each series.

Ranking — The First Preferred Shares of each series rank equally with the First Preferred Shares of every other series, and rank in priority to the 7½¢ Participating Preferred Shares, the Subordinate Voting Shares and any other shares of the Corporation ranking after the First Preferred Shares, with respect to the payment of dividends and the distribution of assets of the Corporation on liquidation, dissolution or winding up.

Voting Rights — The holders of the First Preferred Shares are not entitled as such to any voting rights unless dividends on any one series of First Preferred Shares are in arrears to the extent of one and one-half times the annual rate or amount of dividends carried by the First Preferred Shares of such series. Thereafter, but only so long as any dividends on the First Preferred Shares of any series, if dividends on such First Preferred Shares of any such series be cumulative, remain in arrears or, if dividends on such First Preferred Shares of any such series be non-cumulative, until an amount or amounts equal in the aggregate to one (1) year's dividends at the annual rate or amount of dividends carried by such non-cumulative First Preferred Shares of any such series shall have been paid thereon, the holders of First Preferred Shares as a class will be entitled to receive notice of all general meetings of shareholders of the Corporation and to attend thereat, other than any meetings of the holders of any particular series of First Preferred Shares held separately and as a series, and shall at any such meeting which they shall be entitled to attend, except when the vote of the holders of shares of any other class is to be taken separately and as a class, be entitled to one vote in respect of each First Preferred Share held.

Modification — The class provisions of the First Preferred Shares may be amended with the approval given in writing by the holders of all of the First Preferred Shares then outstanding or by resolution carried by the affirmative vote of not less than 66 2/3% of the votes cast at a meeting of holders of such shares at which not less than a majority of all First Preferred Shares then outstanding is represented or, if no quorum is present at such meeting, at any adjourned meeting at which no quorum requirement would apply.

\$2.375 Cumulative Redeemable First Preferred Shares, 1965 Series

The \$2.375 Cumulative Redeemable First Preferred Shares, 1965 Series, in addition to the provisions attaching to the First Preferred Shares as a class, carry, amongst others, the following provisions:

- a) the holders thereof are entitled to receive fixed cumulative preferential cash dividends of \$2.375 per share per annum payable quarterly;
- b) the holders thereof have the right to receive the sum of \$50 per share plus accrued and unpaid dividends on the involuntary liquidation, dissolution or winding up of the Corporation, or the sum of \$50.50 per share plus accrued and unpaid dividends on the voluntary liquidation, dissolution or winding up of the Corporation.

The Corporation may at any time by resolution of the Board of Directors, redeem the whole or, from time to time, any part of such series of First Preferred Shares then outstanding on payment for each share to be redeemed of the sum of \$50.50, plus accrued and unpaid dividends as at the date fixed for the redemption. The Corporation, through a sinking fund, is committed to retire 26,500 of such shares in each twelve-month period from May 1 to April 30.

DETAILS OF THE OFFERING

The Cumulative Redeemable First Preferred Shares, 1986 Series offered hereby (the "First Preferred Shares 1986 Series") will have attached thereto, among others, provisions to the following effect in addition to the foregoing provisions attached to the First Preferred Shares as a class:

Dividends

An initial dividend on the First Preferred Shares 1986 Series will be payable on April 15, 1986 and, assuming an issue date of February 18, 1986, will be \$0.6137 per share.

After the initial dividend, the holders of the First Preferred Shares 1986 Series will be entitled to receive a cumulative preferential cash dividend, as and when declared by the Board of Directors, on the 15th day of each of January, April, July and October in each year in an amount per share determined by applying the applicable Quarterly Dividend Rate to \$50.00. For the purposes hereof, "Quarterly Dividend Rate" means (i) 2% in the case of dividends payable on or prior to April 15, 1991, and (ii) one quarter of 70% of the average of the Prime Rate in effect on each day during the three calendar months ending immediately prior to the first day of the calendar month preceding the month in which the dividend payment is to be made in the case of dividends payable after April 15, 1991. "Prime Rate" means the average of the prime lending rates of interest established and announced from time to time by two specified major Canadian chartered banks as the reference rates of interest per annum to determine the interest rates they will charge on Canadian dollar commercial loans to their most creditworthy customers in Canada. If neither of such banks has a prime rate in effect on any day, the Prime Rate for that day will be 1.50% per annum above the average yield per annum on 91-day Government of Canada Treasury Bills as reported by the Bank of Canada for the weekly tender immediately preceding that day.

Purchase Obligation

The Corporation will make all reasonable efforts to purchase for cancellation in the open market 20,000 First Preferred Shares 1986 Series per calendar quarter (4% per year) commencing with the calendar quarter beginning April 1, 1991, at a price not exceeding \$50.00 per share plus costs of purchase.

If, notwithstanding the making of all reasonable efforts, the Corporation is unable to fulfill such obligation in any calendar quarter, the obligation will carry over only to the succeeding calendar quarters of the same calendar year and will thereafter be extinguished. The Corporation will not be obligated to purchase any First Preferred Shares 1986 Series pursuant to this provision if and so long as such purchase would be contrary to any applicable

law or the Articles of the Corporation including the provisions described under "Restrictions on Dividends and Retirement of Shares".

Redemption

The First Preferred Shares 1986 Series will not be redeemable prior to April 15, 1991. Except as noted under "Restrictions on Dividends and Retirement of Shares", the First Preferred Shares 1986 Series will be redeemable on and after that date at the option of the Corporation in whole at any time or in part from time to time at \$50.00 per share, together with all accrued and unpaid dividends up to the date of redemption, the whole constituting the redemption price.

Notice of any redemption will be given by the Corporation at least 30 days prior to the date fixed for redemption. If less than all of the outstanding First Preferred Shares 1986 Series are at any time to be redeemed, the shares to be redeemed will be selected by lot in units of 10 shares or less in such manner as the Board of Directors shall by resolution determine or pro rata disregarding fractions.

Purchase for Cancellation

Except as noted under "Restrictions on Dividends and Retirement of Shares", the Corporation will be permitted at any time to purchase for cancellation all or any part of the First Preferred Shares 1986 Series on the open market or by invitation for tenders to all holders of First Preferred Shares 1986 Series or otherwise at a price per share not exceeding \$50.00 plus an amount equal to all accrued and unpaid dividends and costs of purchase.

Restrictions on Dividends and Retirement of Shares

Unless all the outstanding First Preferred Shares 1986 Series have been called for redemption and the redemption price for same has been deposited, the Corporation shall not, without the prior approval given in writing by the holders of all of the First Preferred Shares 1986 Series then outstanding or by resolution carried by the affirmative vote of not less than 66 $\frac{2}{3}$ % of the votes cast at a meeting of the holders of the First Preferred Shares 1986 Series:

- (a) pay any dividends (other than stock dividends) on any shares of the Corporation ranking junior to the First Preferred Shares with respect to payment of dividends or repayment of capital;
- (b) pay any dividends (other than stock dividends) on any shares of another class of the Corporation ranking on a parity with the First Preferred Shares with respect to payment of dividends or repayment of capital, other than rateably on the shares of such other class and on the First Preferred Shares;
- (c) redeem or purchase or make any capital distribution in respect of any shares of the Corporation ranking junior to the First Preferred Shares with respect to repayment of capital or payment of dividends, except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the First Preferred Shares; or
- (d) redeem or purchase less than all the First Preferred Shares 1986 Series;

unless all accrued and unpaid dividends for previous dividend periods on the First Preferred Shares 1986 Series shall have been declared and paid or set apart for payment.

Modification

The provisions attaching to the First Preferred Shares 1986 Series may be amended at any time with the prior approval of the holders of the First Preferred Shares 1986 Series which may be given in writing by the holders of all of the First Preferred Shares 1986 Series then outstanding or by resolution carried by the affirmative vote of not less than 66 $\frac{2}{3}$ % of the votes cast at a meeting of the holders of the First Preferred Shares 1986 Series. The quorum provisions referred to under "Modification" above in respect of the First Preferred Shares as a class, shall apply in connection with such meeting.

CONSOLIDATED CAPITALIZATION

The following table summarizes the consolidated capitalization of the Corporation at December 31, 1984 and September 30, 1985.

	December 31, 1984	September 30, 1985
	(thousands)	
Long-term debt:		
Bank loans	\$135,125	\$
Income debentures	<u>72,500</u>	<u>—</u>
Total long-term debt	<u>207,625</u>	<u>—</u>
Shareholders' equity:		
Stated capital		
First preferred shares	12,790	11,427
7½¢ Participating preferred shares	18,074	19,482
Subordinate voting shares	159,865	284,465
Retained earnings	<u>587,289</u>	<u>692,917</u>
Total shareholders' equity	<u>778,018</u>	<u>1,008,291</u>
Total capitalization	<u>\$985,643</u>	<u>\$1,008,291</u>

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The selected consolidated financial information of the Corporation should be read in conjunction with the audited financial statements for the year ended December 31, 1984 and the unaudited interim financial statements for the nine months ended September 30, 1985 and 1984, which are incorporated by reference in this short form prospectus.

	Nine months ended September 30 (unaudited) (1) (2) (3)						Year ended December 31 (2) (millions, except per share amounts)
	1985	1984	1984	1983	1982	1981	
Share of earnings of subsidiaries and affiliate	\$ 84.8	\$ 69.9	\$111.0	\$ 86.1	\$ 65.3	\$104.5	
Income from investments	9.1	5.3	6.7	7.1	8.5	10.4	
Operating revenue (4)	—	—	—	—	—	—	233.6
Total revenues	93.9	75.2	117.7	93.2	73.8	348.5	
Net earnings before extraordinary and other items	82.4	51.3	86.7	58.9	43.9	88.1	
Net earnings	133.1	107.8	128.1	59.2	47.9	98.5	
Earnings per 7½¢ participating preferred and subordinate voting share (5):							
Net earnings before extraordinary and other items	1.40	1.00	1.69	1.14	0.84	1.71	
Net earnings	2.26	2.10	2.50	1.15	0.92	1.91	
Total assets	1,016.1	986.5	994.5	1,004.3	958.2	932.6	
Long-term debt	—	204.7	207.6	311.6	307.8	289.5	
Shareholders' equity	1,008.3	772.8	778.0	682.9	638.5	614.1	

NOTES:

(1) Consolidated-Bathurst adopted in 1984 a more conservative accounting policy for pre-operating expenses related to major capital projects. Accordingly, the above results have been restated.

- (2) Effective January 1, 1984 Investors and Montreal Trust changed their accounting treatment for net profits and losses on investment transactions, so that such amounts are now included in the determination of net earnings before extraordinary and other items. Previously such amounts were treated as extraordinary items. Accordingly, the above results have been restated.
- (3) Great-West Life changed its accounting practices in the fourth quarter of 1984 to bring the accounting methods of its subsidiaries into conformity with the accounting practices of Great-West Life. The 1984 figures have been restated to include this change.
- (4) Represents revenue from the Corporation's transportation business, which was disposed of in 1981.
- (5) Adjusted for a two-for-one subdivision effective June 3, 1985.

ASSET COVERAGE

Based on the unaudited consolidated balance sheet of the Corporation as at September 30, 1985 and after giving effect to the issue of the First Preferred Shares 1986 Series, the consolidated net tangible assets of the Corporation are as follows:

	(thousands)
Current assets.....	\$ 150,522*
Investments	841,360
Fixed assets (less accumulated depreciation).....	<u>24,168</u>
	1,016,050
Less: Current liabilities	\$ 1,881
Deferred income taxes.....	5,878
Excess of carrying value of investments over the share of equity.....	<u>29,232</u> <u>36,991</u>
	979,059
Plus: Estimated net proceeds from this issue	<u>96,900</u>
Consolidated net tangible assets after giving effect to this issue	<u>\$1,075,959</u>
Aggregate paid up capital of all First Preferred Shares of the Corporation	<u>\$ 111,427</u>
Net tangible asset coverage of all First Preferred Shares	9.7 times

*Includes \$97.8 million on deposit in respect of the proposed purchase by the Corporation of shares of Télé-Métropole Inc., as described under "Recent Developments".

DIVIDEND COVERAGE

The annual dividend requirements on the First Preferred Shares to be outstanding after giving effect to this issue will amount to approximately \$8.5 million per annum. The net earnings (before extraordinary and other items) of the Corporation for the twelve months ended September 30, 1985 amounted to \$117.8 million, being approximately 13.8 times such annual dividend requirements.

RECENT DEVELOPMENTS

On April 23, 1985 the Corporation purchased 2,384,000 common shares of Consolidated-Bathurst Inc. at a price of \$16.75 per share. The shares were issued by Consolidated-Bathurst Inc. and sold to the Corporation concurrently with the issue and sale to the public of 3,616,000 common shares at the same price per share. On May 22, 1985, the Corporation sold 3,000,000 common shares of Power Financial to a group of underwriters at a price of \$27.375 per share, less a fee, for net proceeds to the Corporation of \$78,750,000. On July 5, 1985, the Corporation sold 10,104,600 ordinary shares of Canadian Pacific Limited to underwriters at \$19.25 per share, less a fee, for net proceeds to the Corporation of \$187,946,000.

On September 13, 1985 the Corporation signed an agreement with three major shareholders of Télé-Métropole Inc. of Montreal to acquire 40.8% of the outstanding common shares of that company, representing 99.6% of the voting shares, for an aggregate consideration of \$97.8 million. The acquisition is subject to the approval of the Canadian Radio-Television and Telecommunications Commission (the "CRTC"), to whom an application has been made and is pending. The purchase price and the shares to be acquired have been deposited in escrow pending a decision by the CRTC. If the acquisition is approved by the CRTC, the Corporation is obligated to purchase, at par, from two of the selling shareholders, debentures of Télé-Métropole Inc. having, at the date hereof, an aggregate nominal value of \$7.7 million. Télé-Métropole Inc. owns and operates CFTM-TV in Montreal and, through a wholly-owned subsidiary, CJPM-TV in Chicoutimi, Quebec, is engaged in the production of French language television programs, feature films, commercial and promotional messages and is one of the five shareholders of the TVA Network Inc.

PLAN OF DISTRIBUTION

Under an agreement (the "Underwriting Agreement") dated January 24, 1986 among Nesbitt Thomson Bongard Ltée, Dominion Securities Pitfield Limited, Richardson Greenshields of Canada Limited and Wood Gundy Inc. (the "Underwriters") and the Corporation, the Corporation has agreed to issue and sell, and the Underwriters have agreed to purchase, 2,000,000 First Preferred Shares 1986 Series, subject to compliance with all necessary legal requirements and to the terms and conditions contained therein, on February 18, 1986 or on such other date not later than March 4, 1986 as may be agreed upon, at a price of \$50.00 per share, payable in cash to the Corporation against delivery of the share certificates. The Corporation has agreed to pay the Underwriters a fee as set forth on the cover page of this short form prospectus in consideration of the services performed in connection with the distribution.

The Underwriting Agreement provides that the Underwriters may terminate their obligations thereunder at their discretion upon the occurrence of certain stated events. The Underwriters, however, will take up and pay for all of the First Preferred Shares 1986 Series if any are purchased under the Underwriting Agreement.

In connection with this offering, the Underwriters may overallot or effect transactions intended to stabilize or maintain the market price of the First Preferred Shares 1986 Series at a level above that which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

CERTAIN CANADIAN INCOME TAX CONSIDERATIONS

In the opinion of Clarkson, Tétrault, counsel to the Corporation, and Doheny Mackenzie, counsel to the Underwriters, the following is a summary of the Canadian federal income tax considerations generally applicable on dividends to prospective purchasers of the First Preferred Shares 1986 Series who are residents of Canada. The summary takes into consideration the current provisions of the Income Tax Act (Canada) (the "Tax Act"), the current regulations to the Tax Act and relevant amendments to the Tax Act proposed in Bill C-84, taking into account the Notice of Ways and Means Motion to amend the Tax Act presented on December 4, 1985 by the Minister of Finance (the "Notice of Ways and Means") to provide for, amongst other matters, a minimum personal income tax, but does not take into account any other changes in law, whether by judicial or legislative action, nor does it take into account provincial income tax legislation or considerations.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular purchaser. Therefore, prospective purchasers should consult their own tax advisers with respect to their individual circumstances.

Dividends on the First Preferred Shares 1986 Series received by an individual will be included in computing his income, and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends paid by taxable Canadian corporations. The grossed-up amount of such dividends will be included in computing the individual's entitlement to the annual deduction of up to \$1,000 for qualifying Canadian source investment income.

Under the Notice of Ways and Means the full grossed-up amount of taxable dividends will be included in the adjusted taxable income for minimum tax purposes and no dividend tax credit will be available to reduce the minimum tax. Generally speaking, a combined federal and provincial tax rate of between 24% and 27%, depending upon the province of residence, will be applied to the excess of the adjusted taxable income over a minimum tax exemption of \$40,000 plus regular personal exemptions.

Dividends on the First Preferred Shares 1986 Series received by a corporation, other than a "specified financial institution" (as defined in the Tax Act), will be included in computing its income but normally will also be deductible in computing its taxable income. Dividends on the First Preferred Shares 1986 Series received by a specified financial institution will be included in computing its income but will not be deductible in computing its taxable income unless either (i) the specified financial institution did not acquire the First Preferred Shares 1986 Series in the ordinary course of the business carried on by such institution or (ii) the First Preferred Shares 1986 Series are listed on a prescribed stock exchange in Canada and the specified financial institution, either alone or with persons with whom it does not deal at arm's length, does not receive (or is not deemed to receive pursuant to a designation by a trust of which such institution or person is a beneficiary) in the aggregate dividends in respect of more than 10% of the First Preferred Shares 1986 Series outstanding at the time such dividends are received.

ELIGIBILITY FOR INVESTMENT

In the opinion of Clarkson, Tétrault, counsel to the Corporation, and Doheny Mackenzie, counsel to the Underwriters, on the date of issue, the First Preferred Shares 1986 Series offered by this short form prospectus will be eligible investments, without resort to the so-called "basket" provisions but subject to general investment provisions, for:

- (i) insurance companies registered or licensed under the Canadian and British Insurance Companies Act (Canada), the Foreign Insurance Companies Act (Canada), the Insurance Act (Ontario) and the Insurance Act (Alberta);
- (ii) loan companies regulated under the Loan Companies Act (Canada) and loan corporations registered under the Loan and Trust Corporations Act (Ontario);
- (iii) trust companies regulated or registered under the Trust Companies Act (Canada), the Loan and Trust Corporations Act (Ontario) and the Trust Companies Act (Alberta); and
- (iv) pension funds regulated or registered under the Pension Benefits Standards Act (Canada), the Pension Benefits Act (Ontario), the Pension Benefits Act (Alberta) and An Act respecting supplemental pension plans (Quebec).

In the opinion of such counsel, the provisions of An Act respecting insurance (Quebec) would not preclude the investment by an insurance company in the First Preferred Shares 1986 Series, subject to the general investment provisions of that Act.

In the opinion of such counsel, such First Preferred Shares 1986 Series will also be eligible investments for registered retirement savings plans, registered retirement income funds and deferred profit sharing plans under the Income Tax Act (Canada).

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Corporation are Touche Ross & Co., 1 Place Ville Marie, Montreal, Quebec.

The transfer agent and registrar for the First Preferred Shares 1986 Series of the Corporation is Montreal Trust Company in Halifax, Saint John, Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver.

PURCHASER'S STATUTORY RIGHTS

Securities legislation in several of the provinces of Canada provide purchasers with the right to withdraw from an agreement to purchase such securities within two business days after receipt or deemed receipt of this short form prospectus and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser but such remedies must be exercised by the purchaser within the time limit prescribed by the securities legislation of his province. Purchasers in Saskatchewan, as a term of this offering, are given the same rights of rescission and withdrawal as if a prospectus and any amendments had been accepted by the Saskatchewan Securities Commission. The purchaser should refer to any applicable provisions of the securities legislation of his province for the particulars of these rights or consult with a legal adviser.

CERTIFICATES

Dated: January 28, 1986

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities laws of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland, and contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed, as required by the Securities Act (Quebec) and regulations thereunder.

(signed) J. W. BURNS
President

(signed) A. F. KNOWLES
Executive Vice-President

On behalf of the Board of Directors.

(signed) YVES PRATTE
Director

(signed) P. M. PITFIELD
Director

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities laws of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland, and to our knowledge contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed, as required by the Securities Act (Quebec) and regulations thereunder.

NESBITT THOMSON BONGARD LTÉE
By: (signed) D. M. MCENTYRE

DOMINION SECURITIES PITFIELD
LIMITED
By: (signed) L. H. GOTHE

RICHARDSON GREENSHIELDS OF
CANADA LIMITED
By: (signed) JOHN H. BRIDGMAN

WOOD GUNDY INC.
By: (signed) T. C. W. REID

The following includes the name of every person or company having an interest, either directly or indirectly, to the extent of not less than five percent in the capital of:

NESBITT THOMSON BONGARD LTÉE: J. B. Aune, B. J. Steck, G. R. P. Bongard, K. G. Copland, T. A. Jackson, K. W. McArthur, and A. R. D. Nesbitt;

DOMINION SECURITIES PITFIELD LIMITED: None;

RICHARDSON GREENSHIELDS OF CANADA LIMITED: James Richardson & Sons Limited; and

WOOD GUNDY INC.: wholly-owned by The Wood Gundy Corporation.